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India Banking Sector Round-up - FY22

JUNE 2022

Glossary: Classification of Indian banks used in this document

PSU (12 banks)



Private—New (10 banks)



Private—Old (9 banks)



Small Finance (4 banks)



Summary Snapshot (I/II)



Macro Trends

- India's FY23 GDP forecasted to grow between **7 - 8.2% YoY, revised downwards** during last Apr-May'22
- Most high frequency indicators **improved vs. pre-COVID levels**
- Mixed trends on BFSI indicators, but UPI transaction value & volumes continue to **scale new peaks**
- RBI **hiked repo rate** for the first time since 2018 to counter inflationary pressures



Key Performance Indicators

- Listed banks reported **highest collective net profit in history** with sharp drop in provisions, higher income
 - **Improvement in RoAs** (0.8% for Industry) seen across most groups, **with lowest provisions since FY17**
 - **Sharper jump in net profit for PSBs** (*albeit from a smaller base*): 110% vs 40% for Private New Banks
- Spreads continue to decline for all groups except Private-Old banks largely **driven by declining yields**
- **Treasury income of banks to take a hit** as bond yields expected to rise sharply
- Stable NIMs across the board, however, marginal improvement in CIR for PSU banks vs other bank groups
- Consistent trends across groups - Steady rise in CASA ratio to 45%; CD ratio reducing to 72% for Industry



Business

- Bank credit witnessed **double-digit growth (13%)** showing post-pandemic recovery; Private-New Banks continue to gain market share
 - Retail loans have emerged as the main driver of bank credit, which is **led by a surge in personal loans**
- **Deposits growth reduced to 10%** due to base effects and **lower interest rate environment**
 - Deposits growth on a downward trend across players; **PSU Banks lagging behind peers**

Summary Snapshot (II/II)



NPA & Risk Mgmt.

- Asset quality improving for most banks; **Controlled fresh slippages** and **healthy recoveries** has resulted in decline in GNPA
- **Delinquencies are expected to increase** from the pandemic affected restructured book
- **Bounce rates comfortably lower** than pre-covid average; impact of on-going geopolitical uncertainties likely to be non-disruptive



Valuation

- Most PSU banks valued below book value; **private banks continue to command premium**
- Overall, **value creation** by Financial institutions **below that of broader market** in past five years; with the gap widening over the last year
- Value creation witnessed a shift with PSU banks creating higher shareholder value more recently



Digital

- **Continued uptake in end-to-end digital adoption** by Indian Banking Industry - across new accounts, deposits, investments, cards, loans
- Digital Transactions continue to gain share - ~88% transactions are now digital (vs 80% in FY21)
 - **50% contribution from mobile & internet banking alone**; UPI at 38%

Banking sector overview

> Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

Valuation

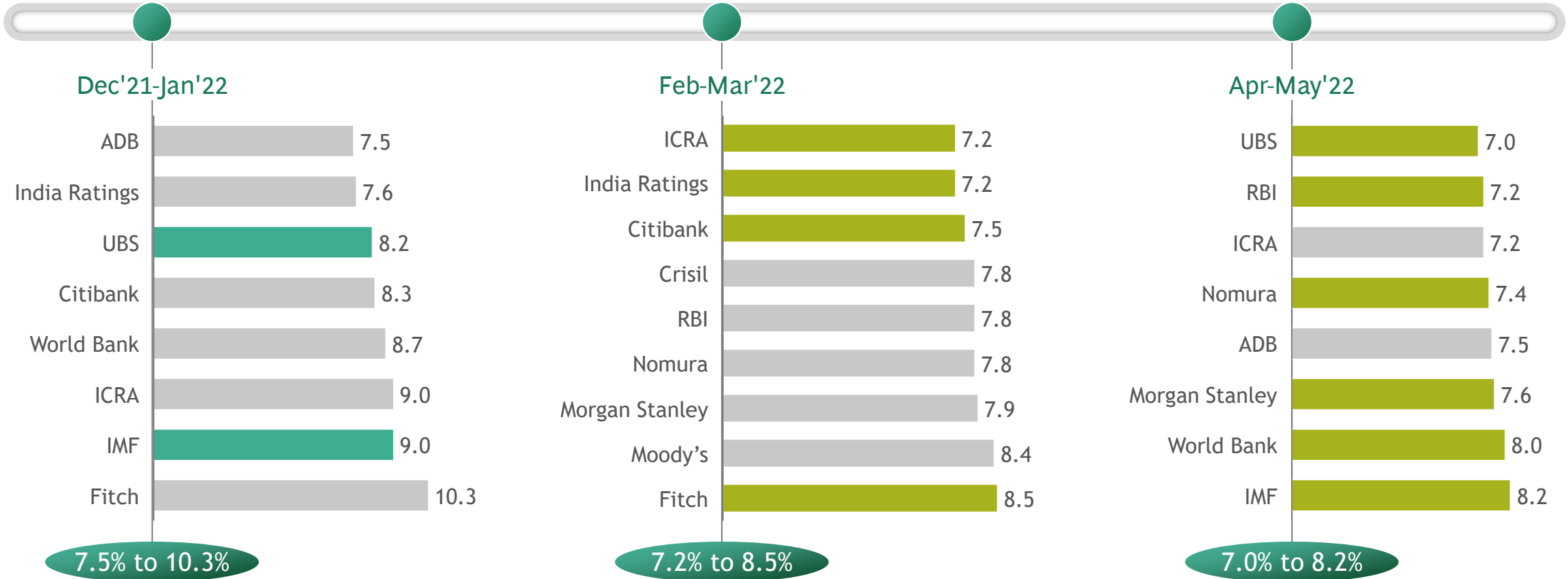
Digital in Banking

Key Regulatory Measures

Player Performance

India's FY23 GDP forecasted to grow between 7.0% to 8.2% YoY; Most projections revised downwards during Apr-May '22

India GDP growth forecast for FY23 (YoY, %)



Data as of 18th May'22; Estimates likely to be revised further




No change
 Downward revision
 Upward revision

Note: Upper-limit has been included where agencies reported forecast range. Latest forecasts considered in case of revision by agency within same month

Source: Analyst reports, BCG analysis

Most high frequency indicators improved vs. pre-COVID levels

Growth

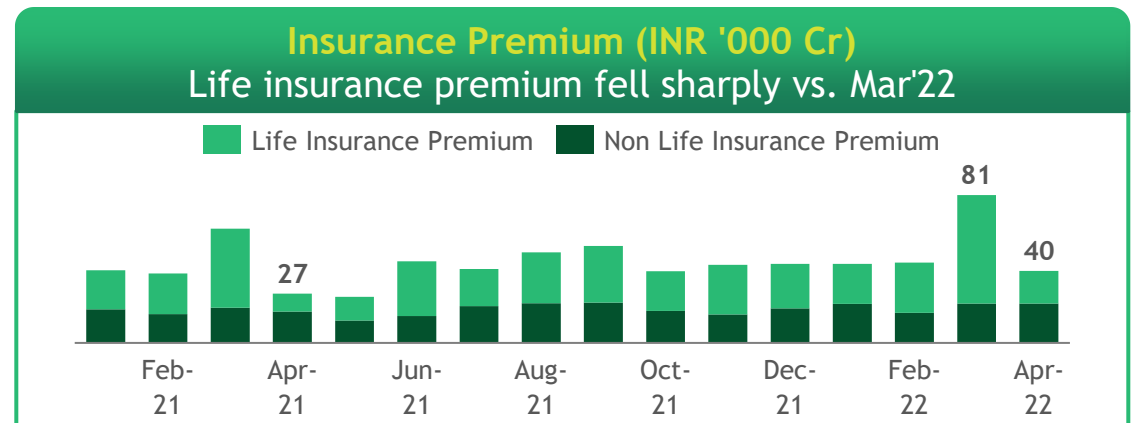
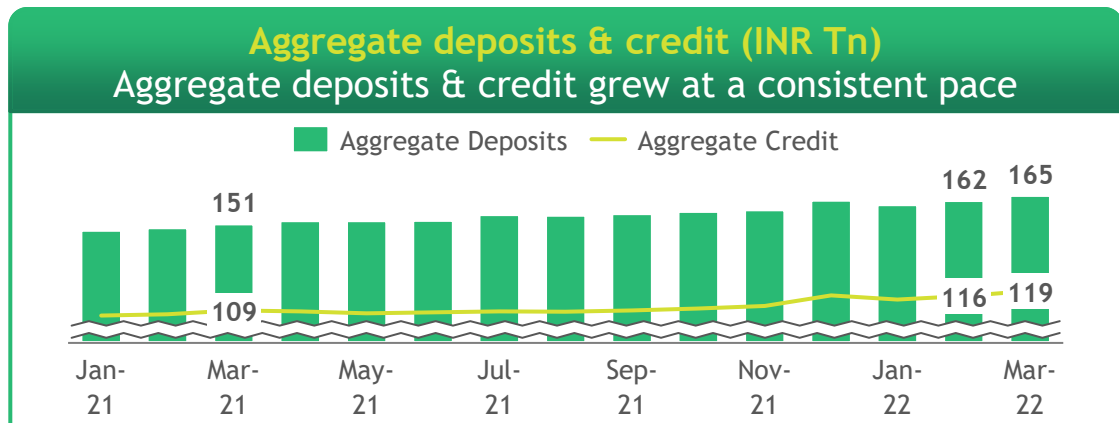
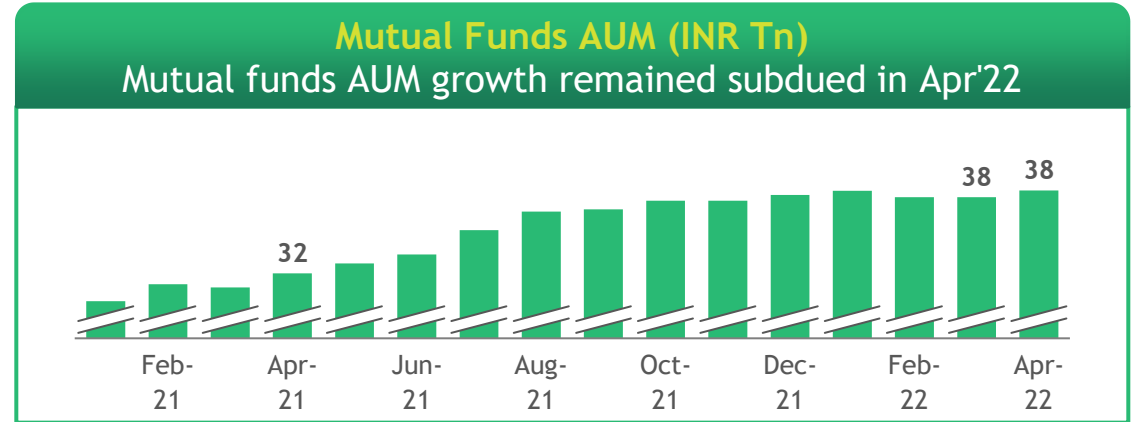
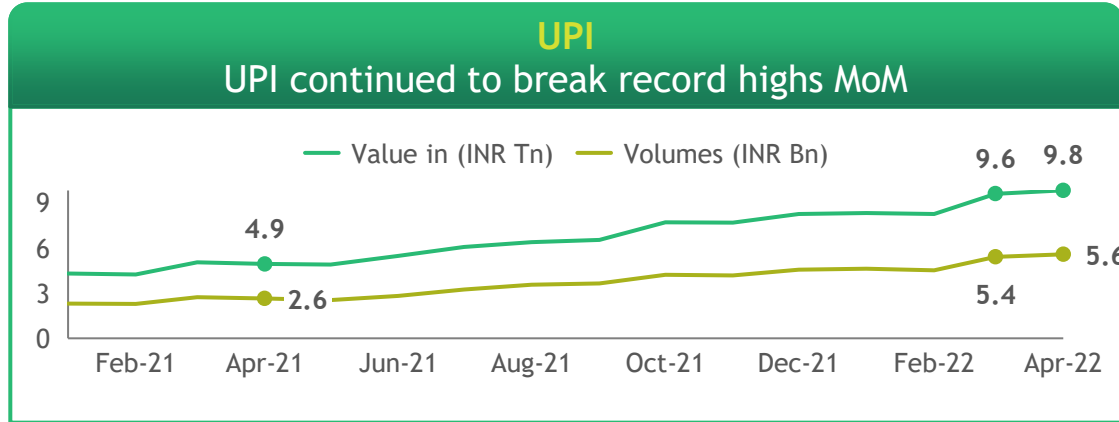
		Vs. Pre-covid		Vs. Last year		Vs. Last month		
		Apr'22	Apr'19	CAGR ¹	Apr'21	YoY	Mar'22	MOM
 Banking, Financial Services & Insurance	UPI Value (INR Tn)	10.0	1.4	91%	5.0	99%	9.6	2%
	Total Deposits (INR Tn)*	164.7	125.7	9%	151.1	9%	162.2	2%
	Total Credit (INR Tn)*	119.0	97.7	7%	109.5	9%	116.4	2%
	NSE+BSE TxS. (INR K Cr)	1370.0	696.0	25%	1413.6	-3%	1491.3	-8%
	Insurance Prem. (INR K Cr)	39.5	26.0	15%	27.0	46%	81.2	-51%
 Macroeconomic	GST Collections (INR Tn)	1.7	1.1	14%	1.4	18%	1.4	18%
	WPI (%)					15%		
	CPI (%)					7%		
	Jan Dhan Deposits (INR Tn)	1.7	1.0	19%	1.4	16%	1.7	0%
	MGNREGA Emp. (HH)	17.1	17.0	0%	21.3	-20%	19.2	-11%
 Sentiment	Manufacturing PMI (Index)	54.7	51.8	2%	55.5	-1%	54.0	1%
	Services PMI (Index)	57.9	51.0	4%	54.0	7%	53.6	8%
	Current Situation Index *	71.7	104.6	-12%	53.1	35%	64.4	11%
	Future Expectations Index	115.2	133.4	-5%	108.8	6%	103.0	12%

* Data available only upto Mar'22 as on 30-May - hence growth comparisons are for March and not April. Mar'22 data has been compared with Mar'19, Mar'21 & Feb'22 data for the pre-COVID CAGR, YoY & MoM growth comparisons.

1. CAGR calculated by taking 2022 month-wise data vs. 2019 levels (for respective month)

BFSI indicators exhibited mixed trends in Mar-Apr '22

UPI transaction value & volumes continue to scale | MF investment continues to grow at slow pace

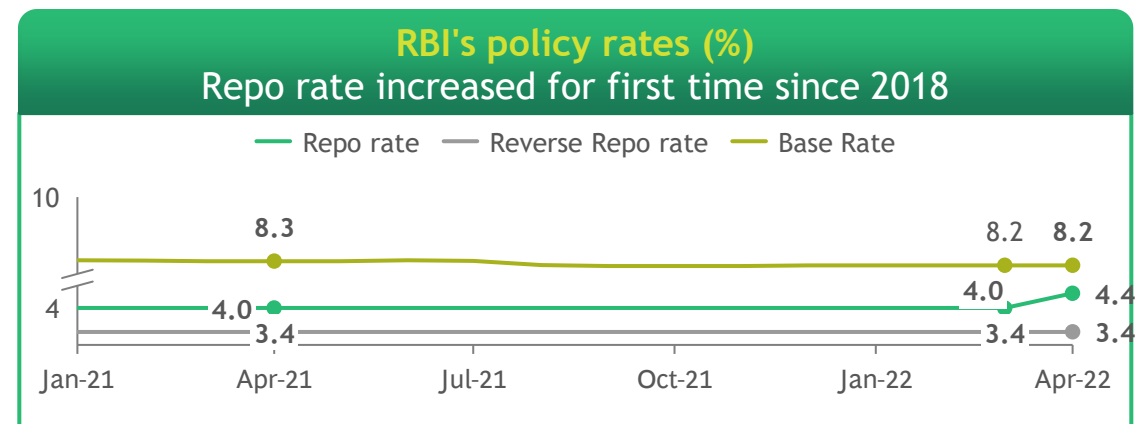
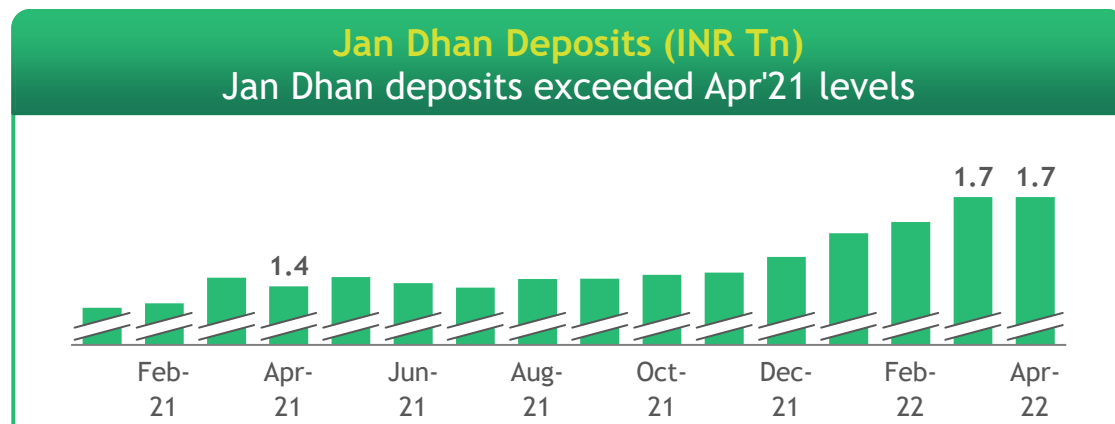
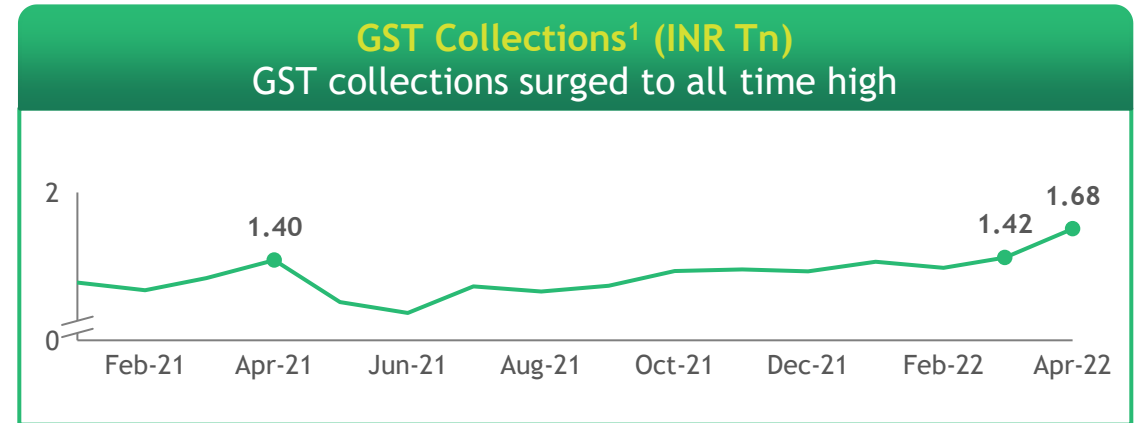
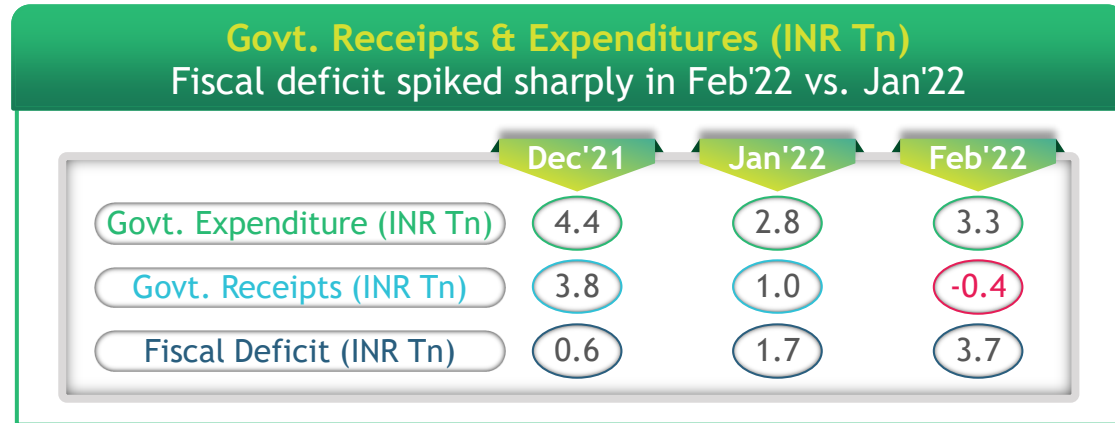


1. Mutual funds Assets Under Management (AUM) represented as recorded at end of every month shown. Mutual Funds AUM include investments from individuals (50.5%) & institutions (49.5%); institutions include domestic and foreign institutions and banks 2. Non-Life Insurance includes Fire, Marine, Motor, Engineering, Health, Cop Insurance, Credit Guarantee, Aviation, Personnel accident and Miscellaneous

Source: DBIE, NPCI, IRDAI, AMFI, BCG analysis

Select macroeconomic indicators witnessed moderate growth

Jan dhan deposits stabilized in 2022; GST collections recorded an all time high



1.GST Collections include all components: CGST, SGST, IGST, Cess
 Source: Ministry of Finance, GST Council, GST Network , RBI, Jan Dhan Yojana BCG analysis

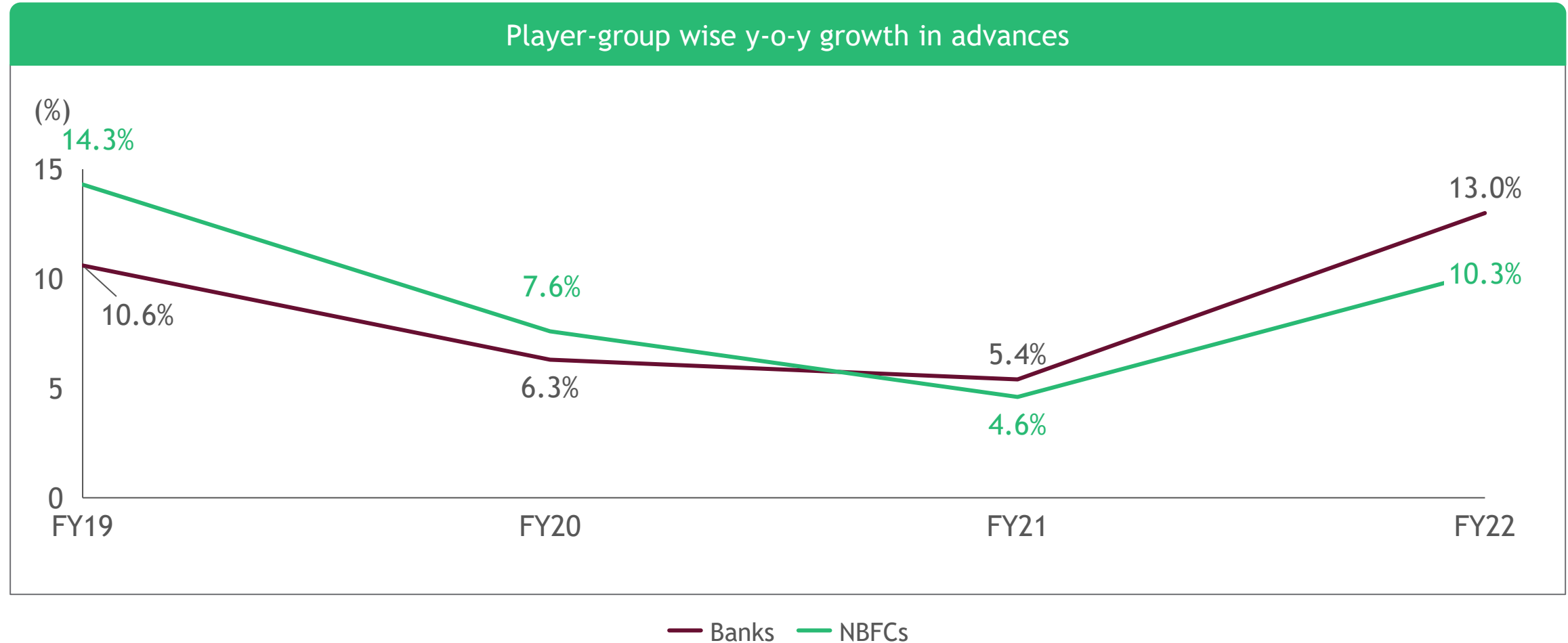
Banking sector overview

Macro Indicators

- Key Performance Indicators- Banking & NBFC
- Key Performance Indicators- Banking Industry
- Business: Advances & Deposits
- NPA & Risk Management
- Valuation
- Digital in Banking
- Key Regulatory Measures
- Player Performance



NBFCs loan growth reviving post pandemic; remains lower than Banks

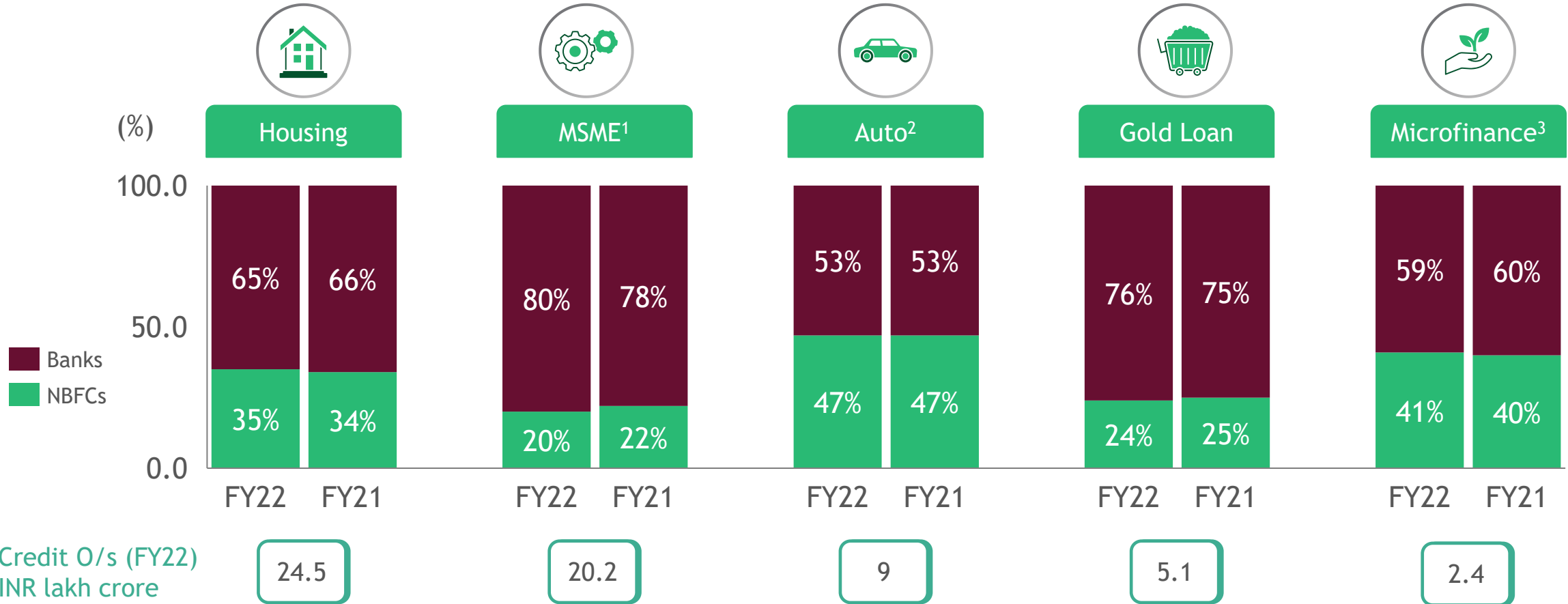


Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU, 10 Private-New, 9 Private-old banks and 4 Small Finance Banks)
 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



NBFCs market share remained stable across segments

Change in share of player groups across asset class



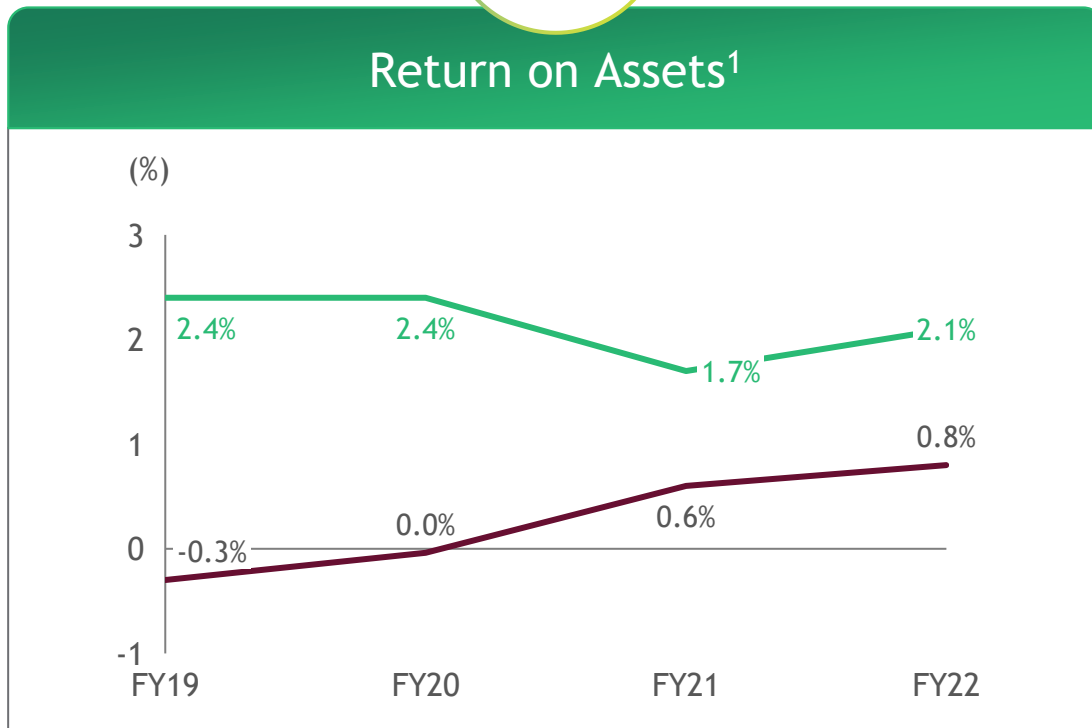
1. MSME includes Loan against property, secured non-LAP MSME loans and unsecured MSME loans; 2. Auto includes PVs new and used, CVs new and used, tractors, 2and 3 wheelers; 3. Share of NBFCs in MFI include NBFC-MFI, NBFCs and Non-Profit MFIs; Numbers for H1FY22
 Source: CRISIL research; BCG Analysis



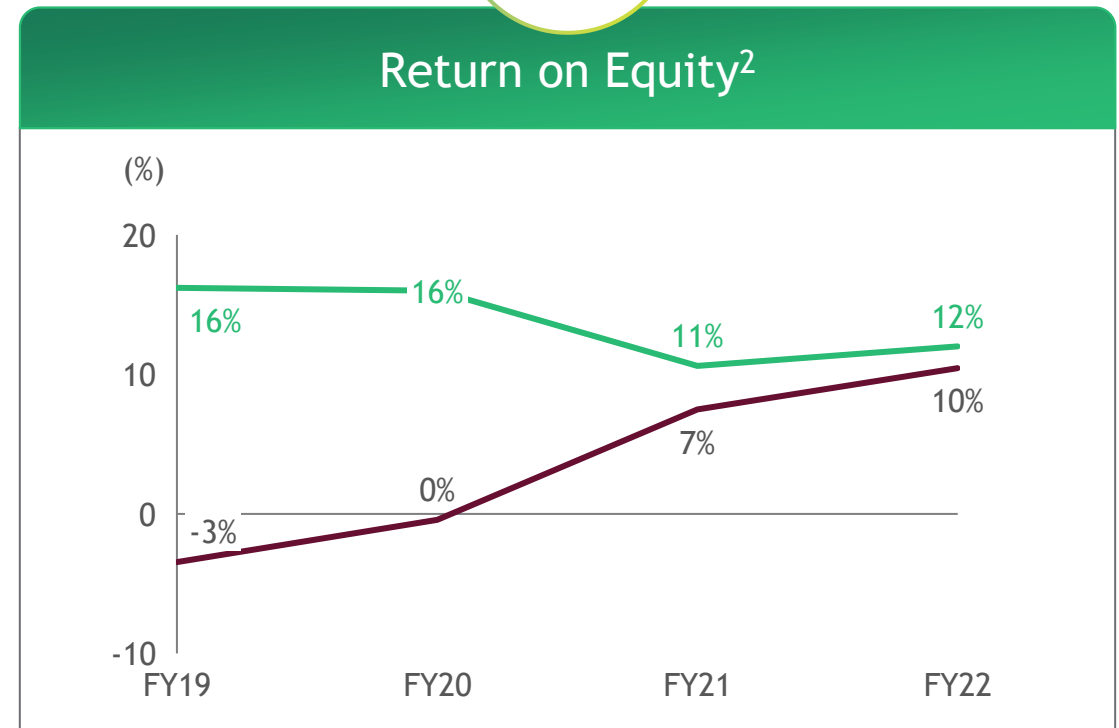
Profitability increased on account of declining credit costs for Banks and NBFCs



Return on Assets¹



Return on Equity²



— Banks — NBFCs

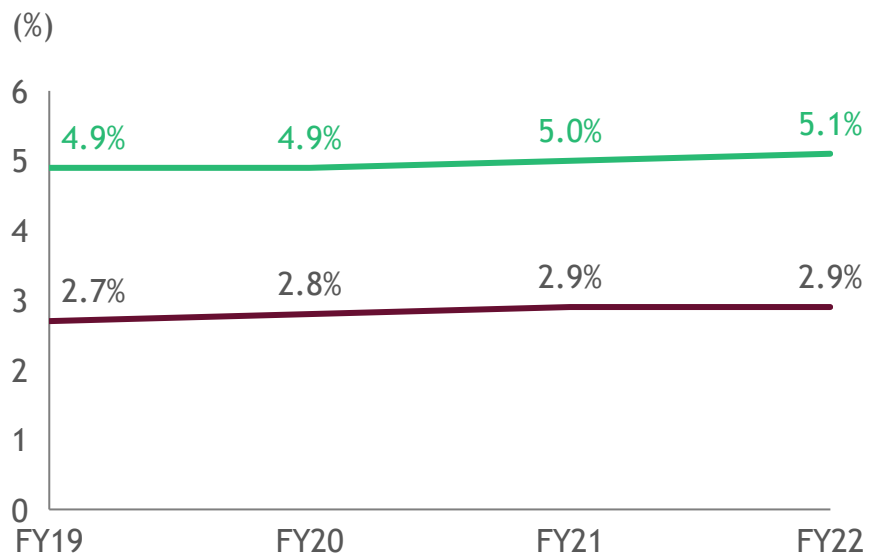
1. Return on Assets is calculated as net profit/average assets 2. Return on Equity is calculated as net profit/average shareholders' fund.
 Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU Banks, 10 Private-New, 9 Private-Old and 4 Small Finance Banks)
 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



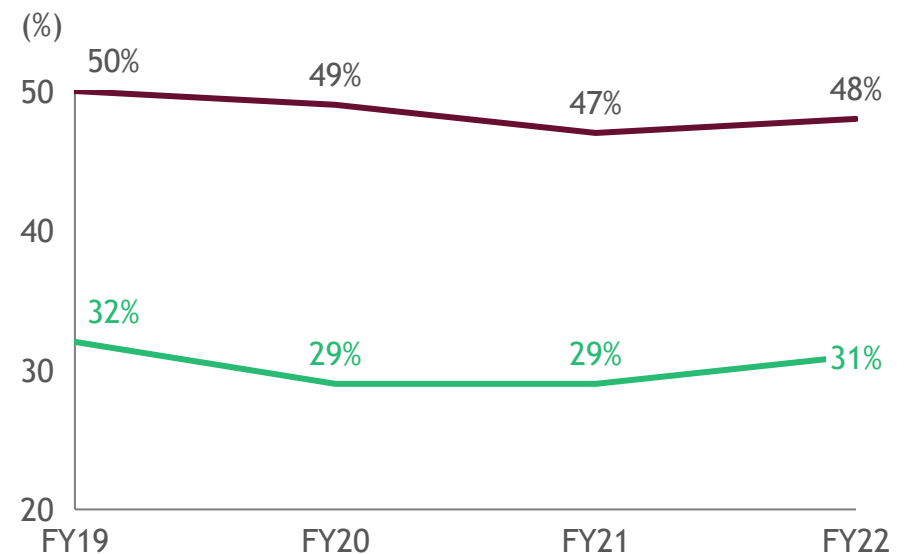
Higher NIMs for NBFCs on account of higher yields; CIR for NBFCs almost at pre-pandemic levels



Net Interest Margin¹ (%)



Cost to Income Ratio² (%)



— Banks — NBFCs

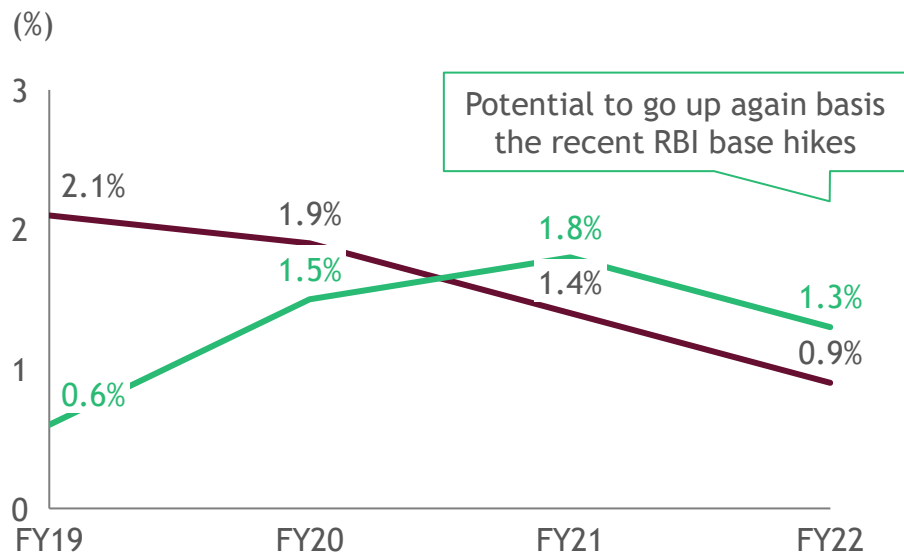
1. NIM is calculated as (Interest Income - Interest Expense)/Average Assets ² Cost to Income is calculated as Operation expense/(net interest income + other income)
 Operation Expense excludes "Net loss on fair value changes", "Net loss on derecognition of financial instruments under amortized cost category", "Net Transaction Exchange Loss" and/or "Loss/write-off on Repossessed Assets and Assets acquired in satisfaction of debt"
 Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU Banks, 10 Private-New, 9 Private-Old and 4 Small Finance Banks)
 Source: Capitaline, Quarterly Results, Investor Presentation, Annual Report, BCG Analysis



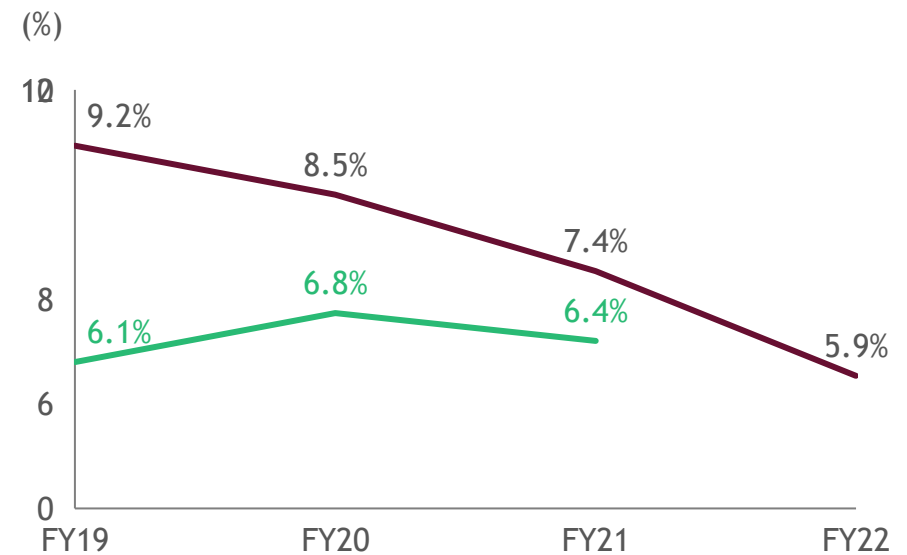
Reduction in credit costs for both Banks and NBFCs basis economic recovery



Credit Cost¹ (%)



GNPA² (%)



— Banks — NBFCs

1. Credit Cost is calculated as provision and contingencies/average assets 2. NBFC GNPA % yet to be released in RBI FSR report

Note: Analysis has been made based on 30 NBFCs (10 HFCs, 2 Gold, 3 MFI and 15 Diversified NBFCs) and 35 Banks (12 PSU Banks, 10 Private-New, 9 Private-Old and Small Finance Banks)

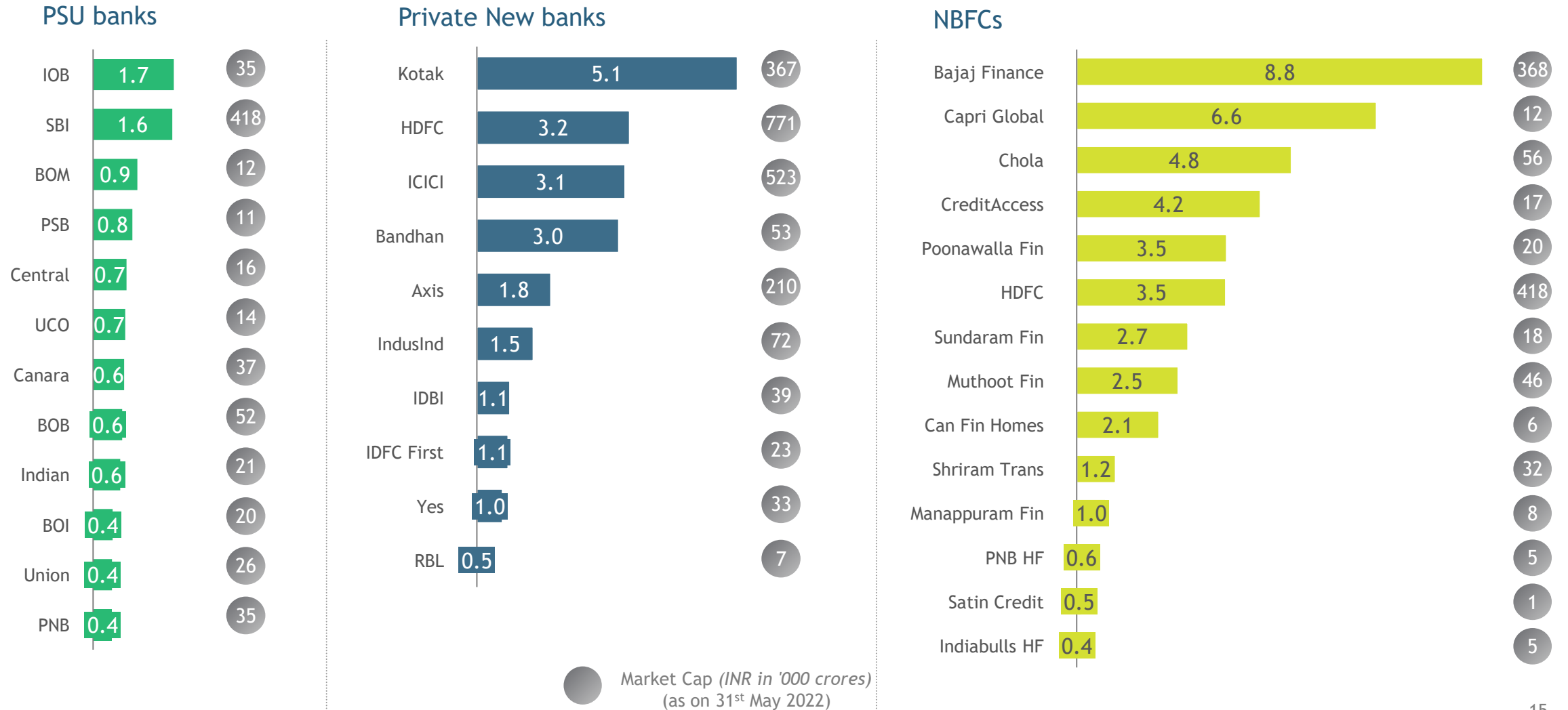
Source: Quarterly Results, Investor Presentation, Annual Report, RBI, BCG Analysis



Most NBFCs at a higher valuation as compared to PVBs and PSBs

Price to book ratio (As on 31st May 2022)

Select Banks and NBFCs



Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

➤ Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

Valuation

Digital in Banking

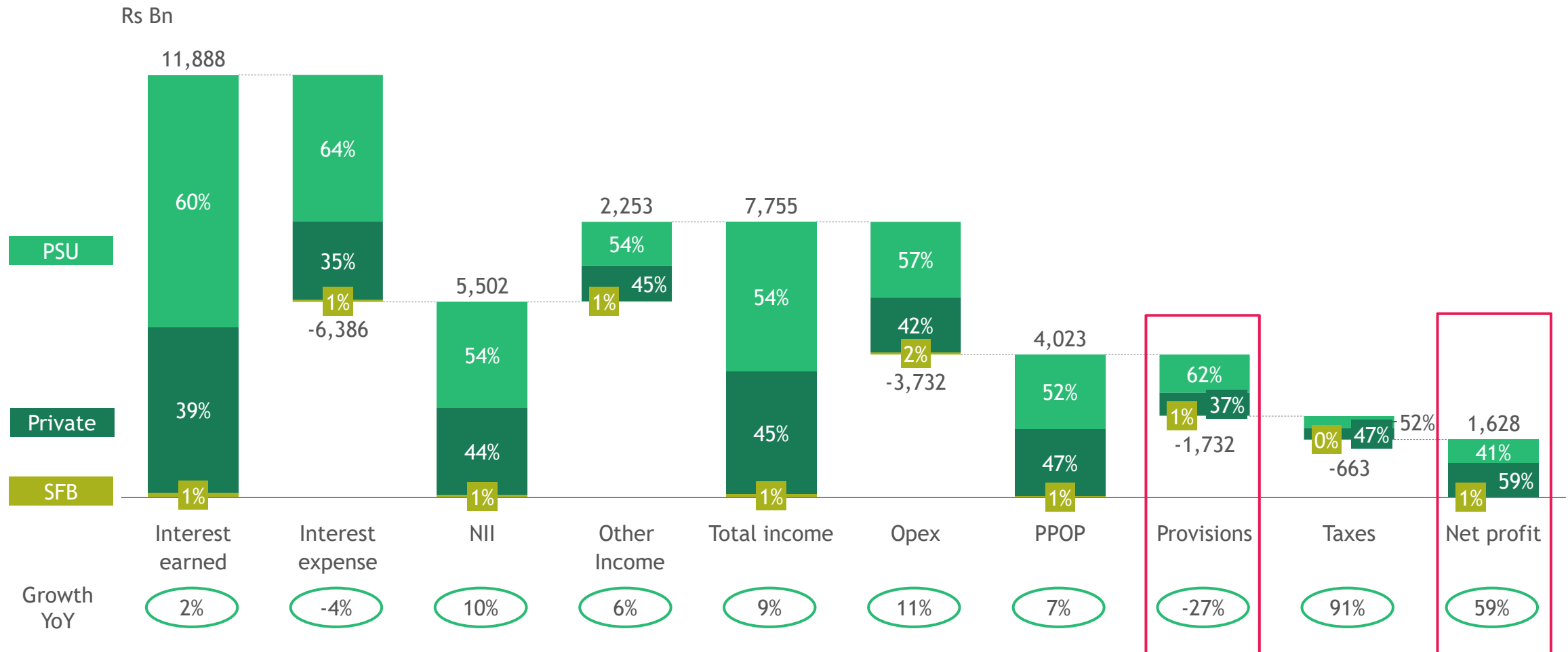
Key Regulatory Measures

Player Performance



FY22 banking sector - Earnings snapshot

Listed banks recorded highest collective net profit in history supported by sharp drop in provisions and higher income



Note: Growth FY22 over FY21; Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
Source: Capitaline, Press releases, BCG analysis



Improvement witnessed in RoAs across most categories due to sharp reduction in credit costs; provisions lowest since FY17

Particulars ¹	UoM	PSU Banks		Private New		Private Old		SFBs		Industry	
		FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Net interest Margin	(%)	2.4	2.4	3.6	3.7	3.0	3.0	6.6	6.7	2.9	2.9
Fee + Other Income	(%)	1.0	1.1	1.5	1.5	1.0	1.1	1.7	2.4	1.2	1.2
Operating expenses	(%)	1.7	1.8	2.3	2.1	2.2	2.2	5.2	4.8	1.9	1.9
Pre-Provision Profit²	(%)	1.7	1.7	2.9	3.1	1.7	1.9	3.1	4.2	2.1	2.2
Credit costs	(%)	0.9	1.3	0.9	1.5	0.8	1.2	2.1	2.1	0.9	1.4
Tax	(%)	0.3	0.1	0.5	0.4	0.3	0.2	0.2	0.4	0.3	0.2
Exceptional Items	(%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Return on Assets	(%)	↑ 0.5	0.3	↑ 1.5	1.2	↑ 0.7	0.6	↓ 0.8	1.7	↑ 0.8	0.6

1. All the above #s are as a % of average assets; 2. Pre-provision profit may not tally due to rounding off differences

Note: Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks

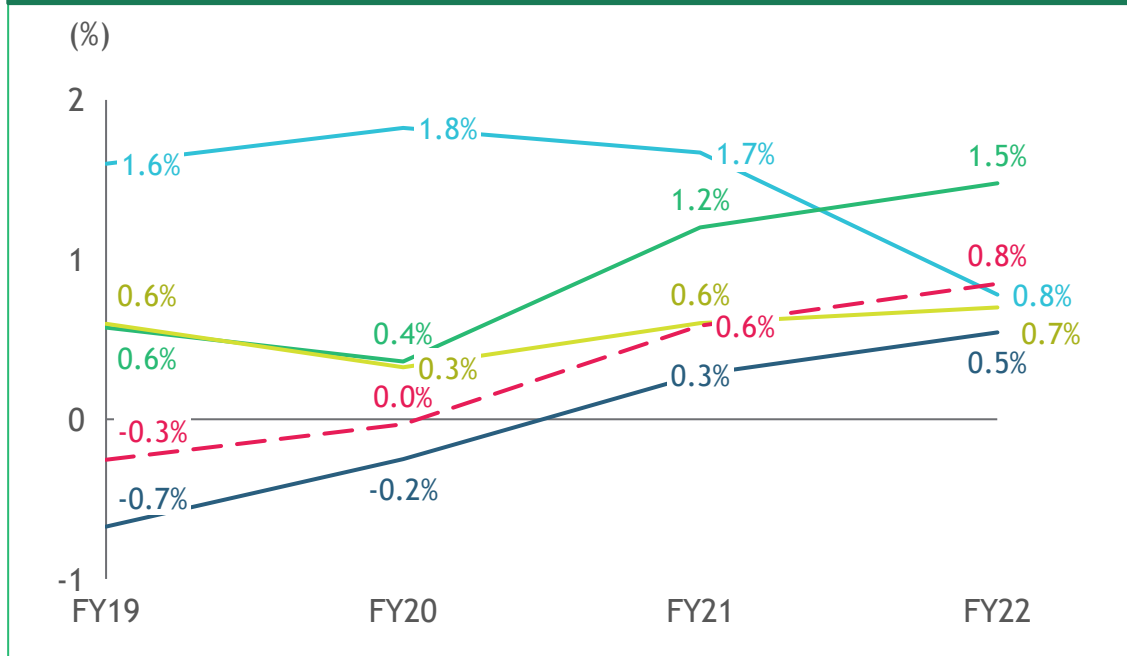
Source: Capitaline, Press releases, BCG analysis



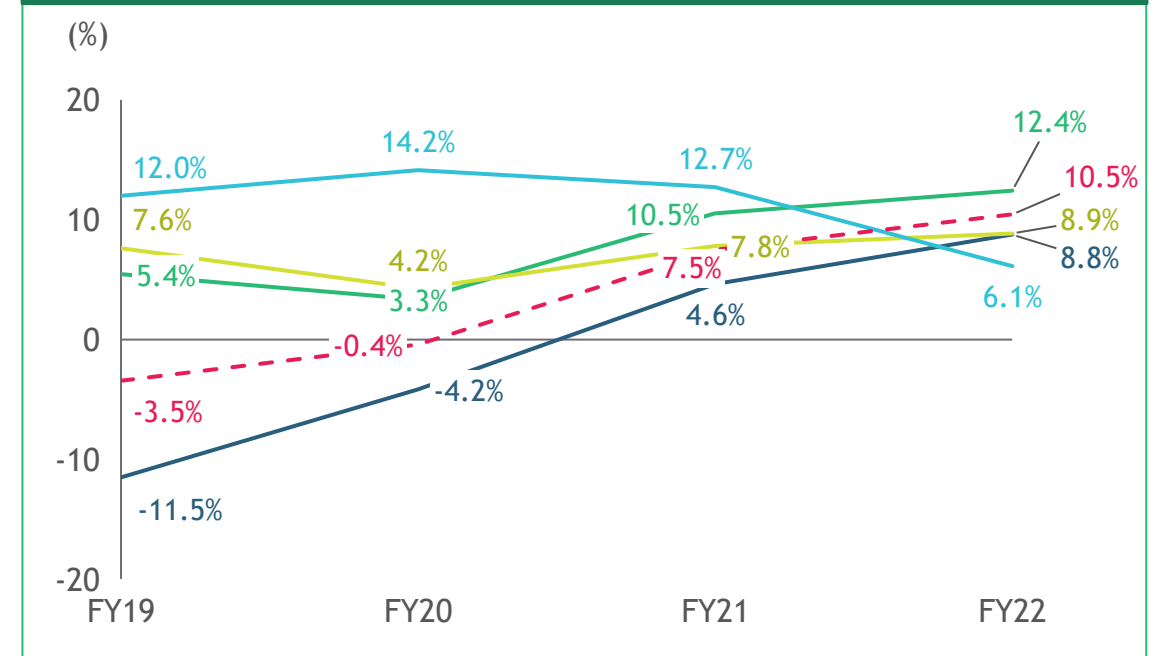
Industry witnessed record profitability with steepest jump for PSU banks



Return on Assets¹ by bank category



Return on Equity² by bank category



— SFB — Private-New — Private-Old — PSU - - Industry

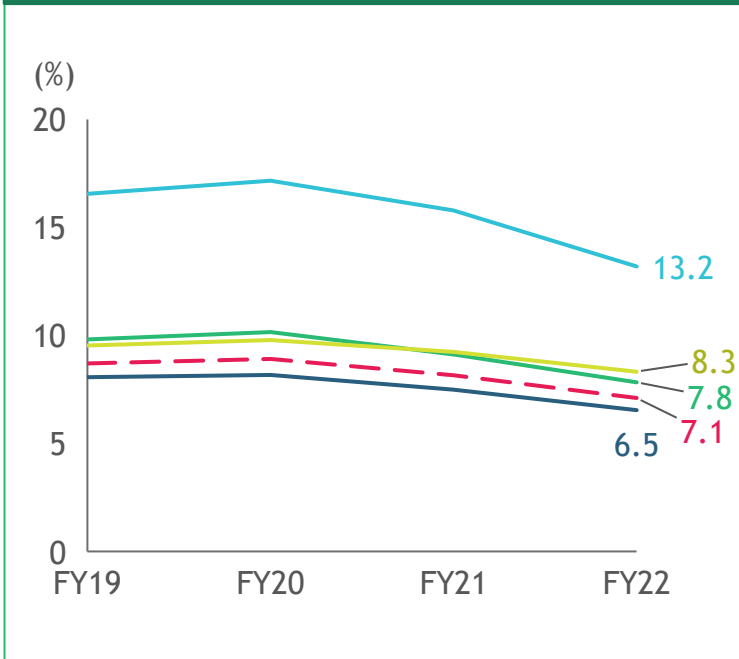
1. Return on Assets is calculated as net profit/average assets annualized 2. Return on Equity is calculated as net profit/average shareholders' fund
 Note: Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, Press releases, BCG analysis



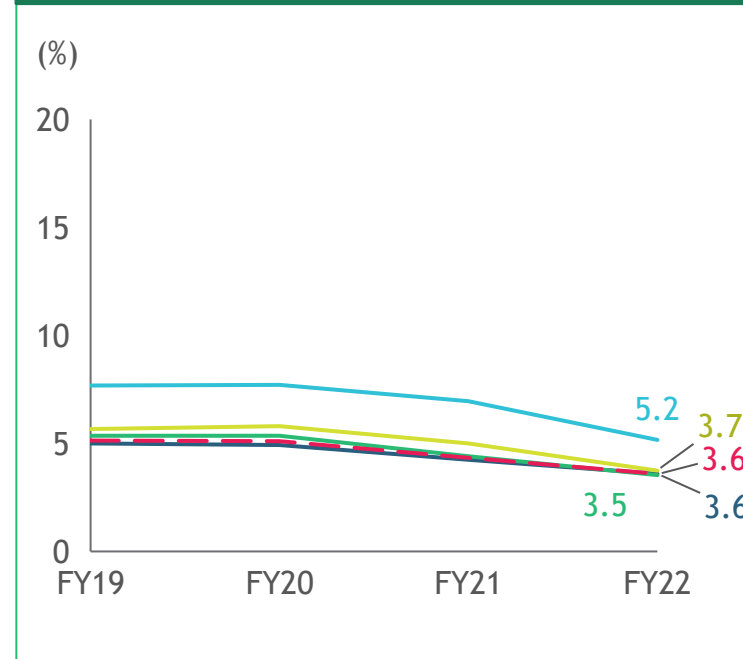
Decreasing spread largely driven by declining yields witnessed across bank categories



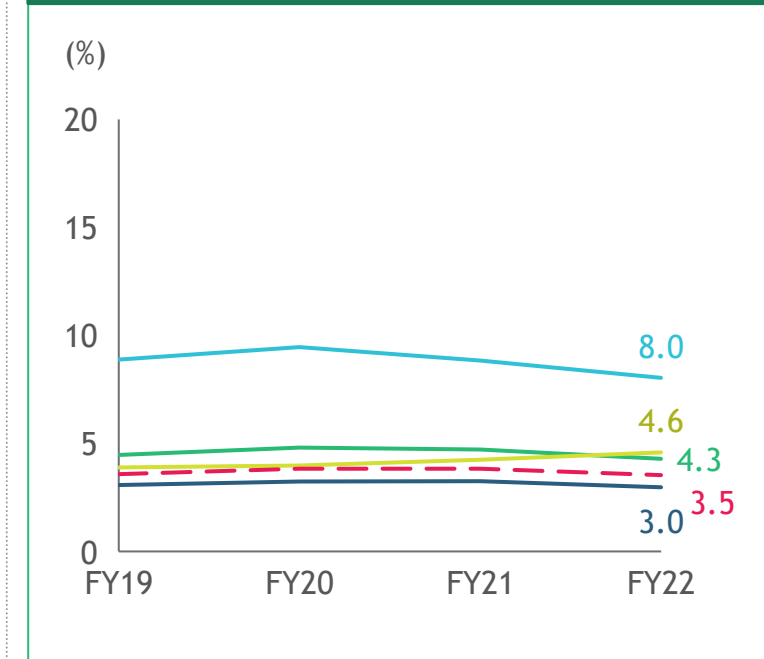
Yield¹ by bank category (%)



Cost of Funds² by bank category (%)



Spread³ by bank category (%)

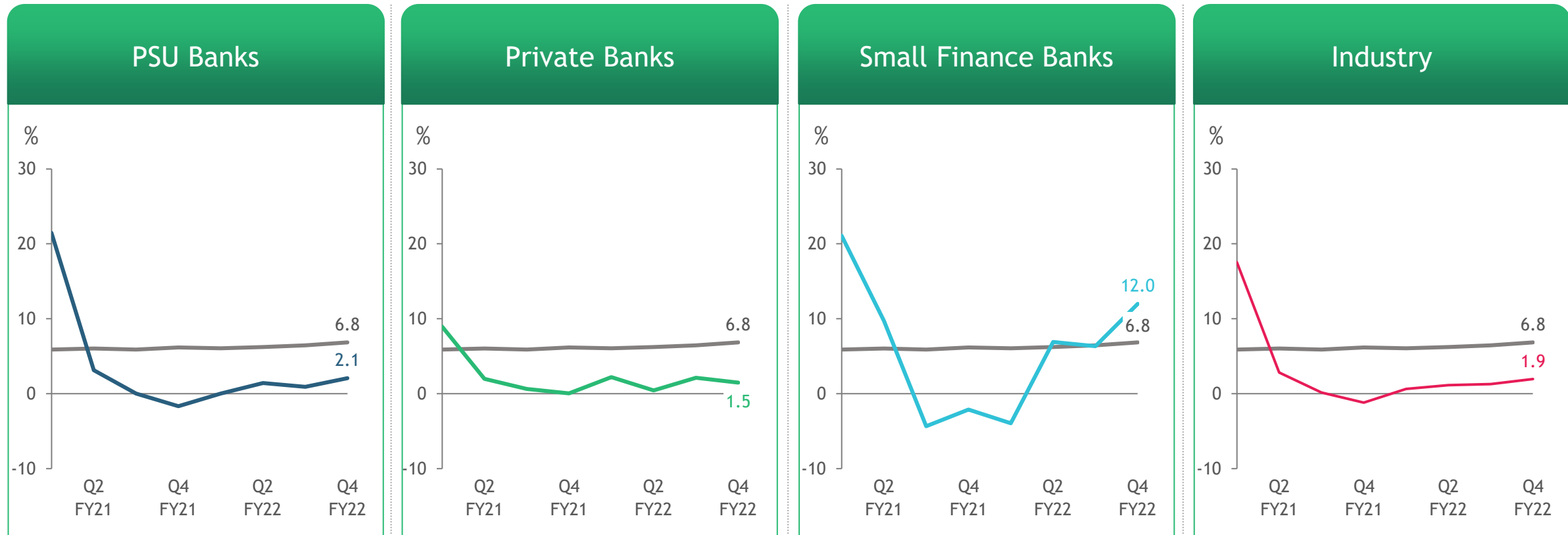


— SFB — Private-New — Private-Old — PSU — Industry

1. Yield is calculated as Interest Earned on Advances/Average Net Advances 2. CoF is calculated as Interest Expended/(Deposits + Borrowings) 3. Spread is the difference between yield and CoF; Note: Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
Source: RBI, Capitaline, Press releases, BCG analysis



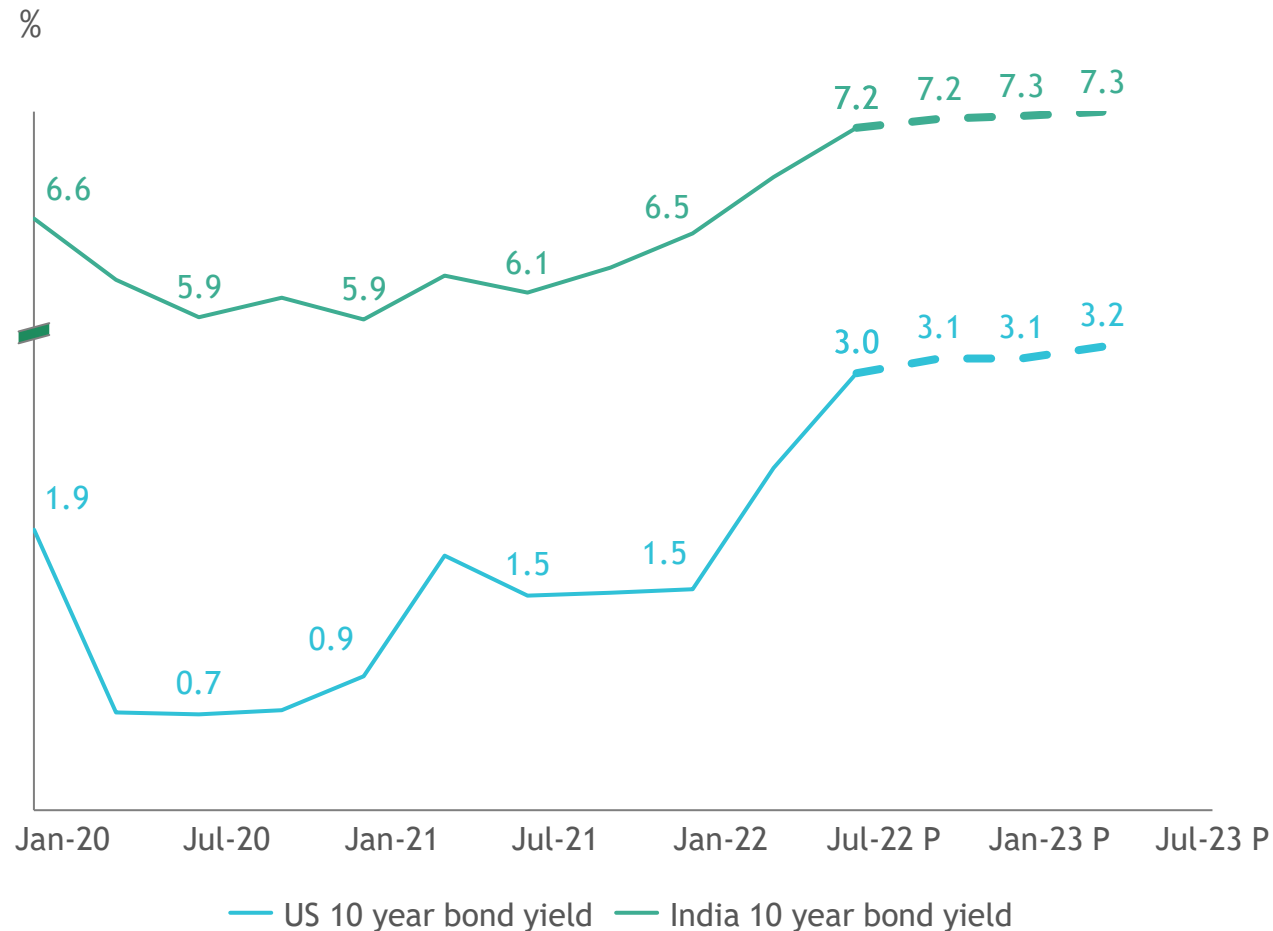
Treasury Income: PSU Banks witnessed steeper drop in income growth due to higher share of govt. securities in their portfolios



— India 10-year bond yield — YoY growth (%) in income on investments



Treasury income of banks to take a hit as bond yields expected to rise sharply



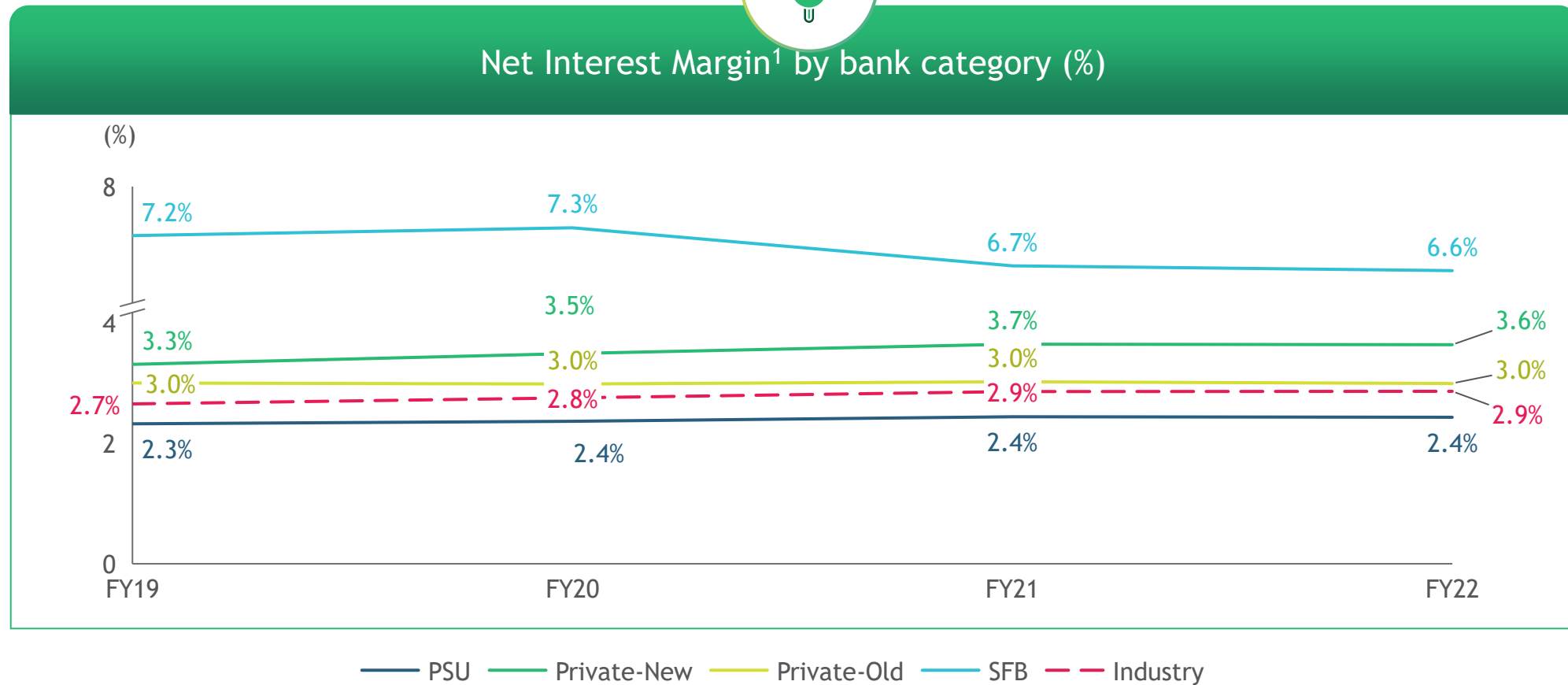
- **Mark-to-market (MTM) losses expected to increase** in the coming quarters as yields on government securities are continuously rising
- PSU Banks are expected to be impacted due to **higher share of govt. securities in their portfolios**
- *"The lower income from treasury or losses for different banks are likely to continue with an upward movement in yields. However, this could be partially offset by the actuarial benefits on the pension liabilities and to some extent by the higher income on newer bonds that banks will be buying with higher yields."*

- Karan Gupta
Director, India Ratings

Note: 1. Calculated as % of FY22 PAT; P: Projected
Source: Bloomberg, Press articles, BCG analysis



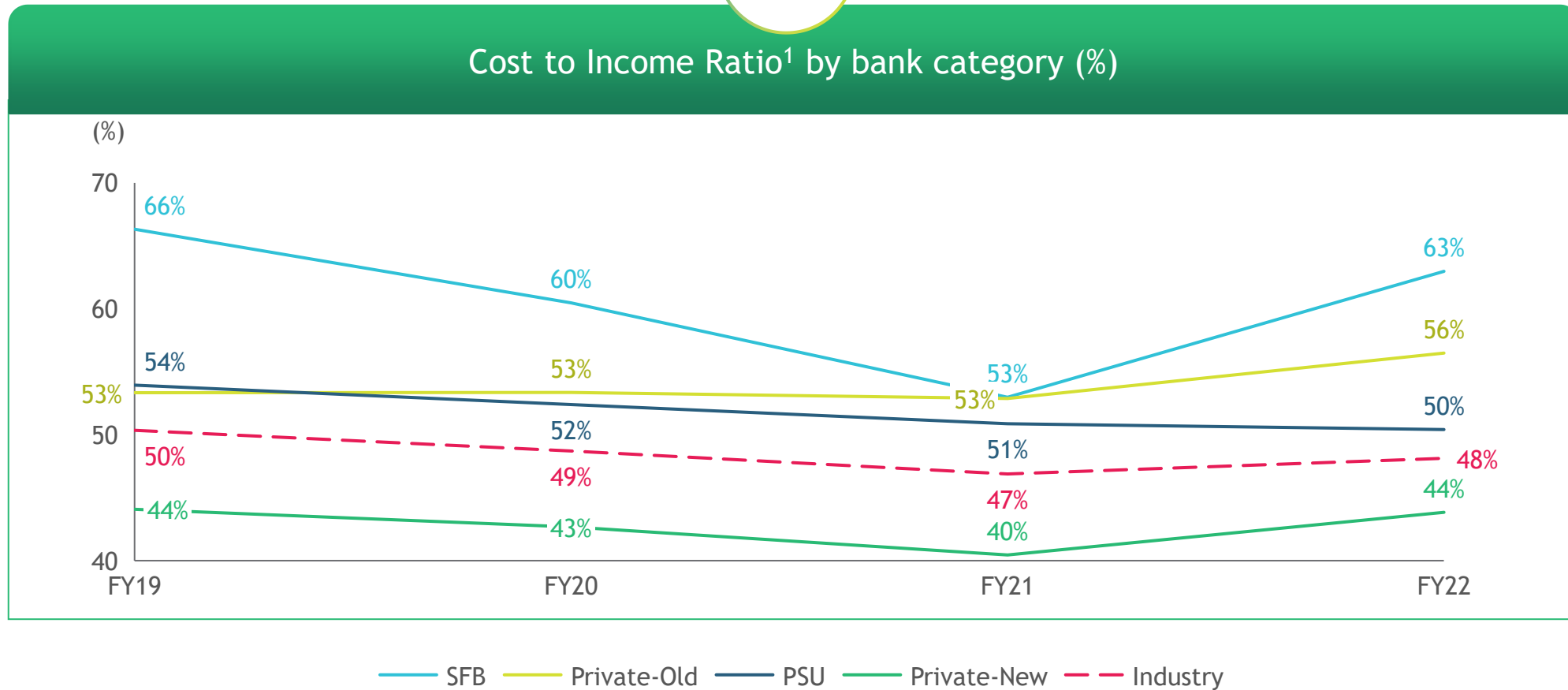
Stable NIMs across the board; recent 90-bps rate hike and a prospective further increase in H1 FY23 will be a boon to banks' NIMs next year



¹NIM is calculated as (Interest Income - Interest Expense)/Average Assets Annualized
 Note: Analysis has been made based 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, Press releases, BCG analysis



PSU banks witnessed marginal improvement in CIR as opposed to other bank categories



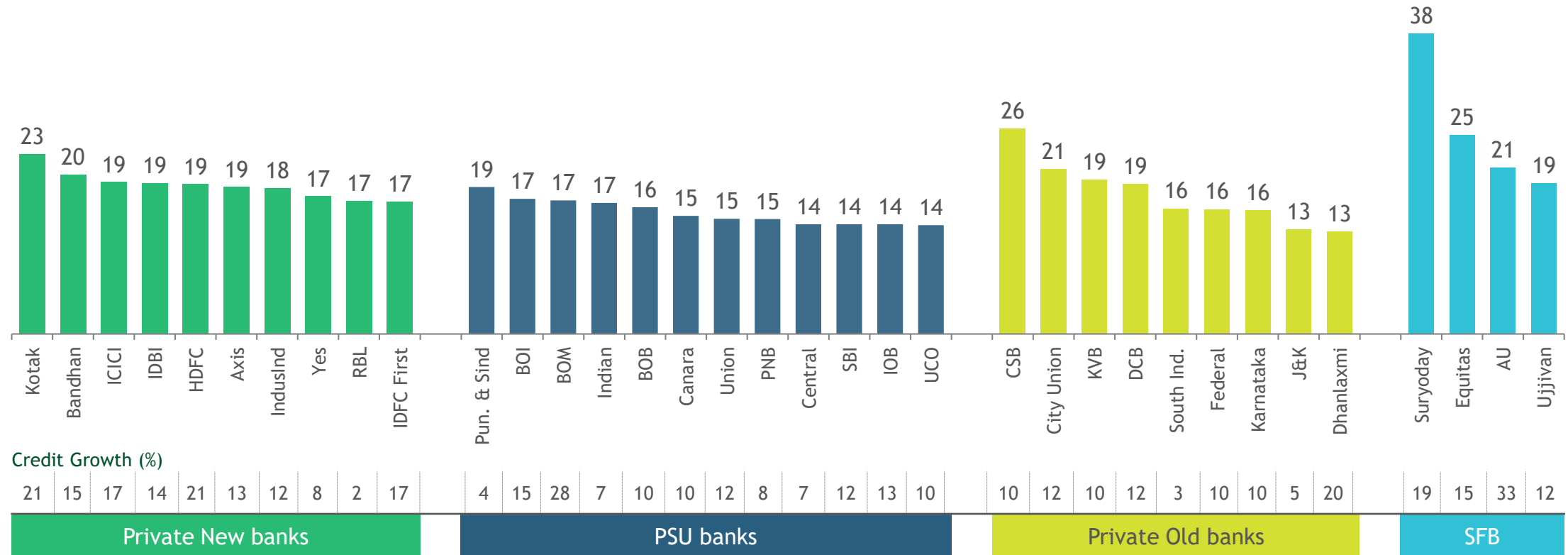
¹Cost to Income is calculated as Operating expense/(net interest income + other income)
 Note: Analysis has been made based 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, Press releases, BCG analysis



Comfortable capitalization levels providing adequate buffer for future growth

Minimum CRAR requirement for Public and Private sector banks = 9%; for SFBs = 15%

Capital to Risk-weighted assets ratio (%) (Mar '22)

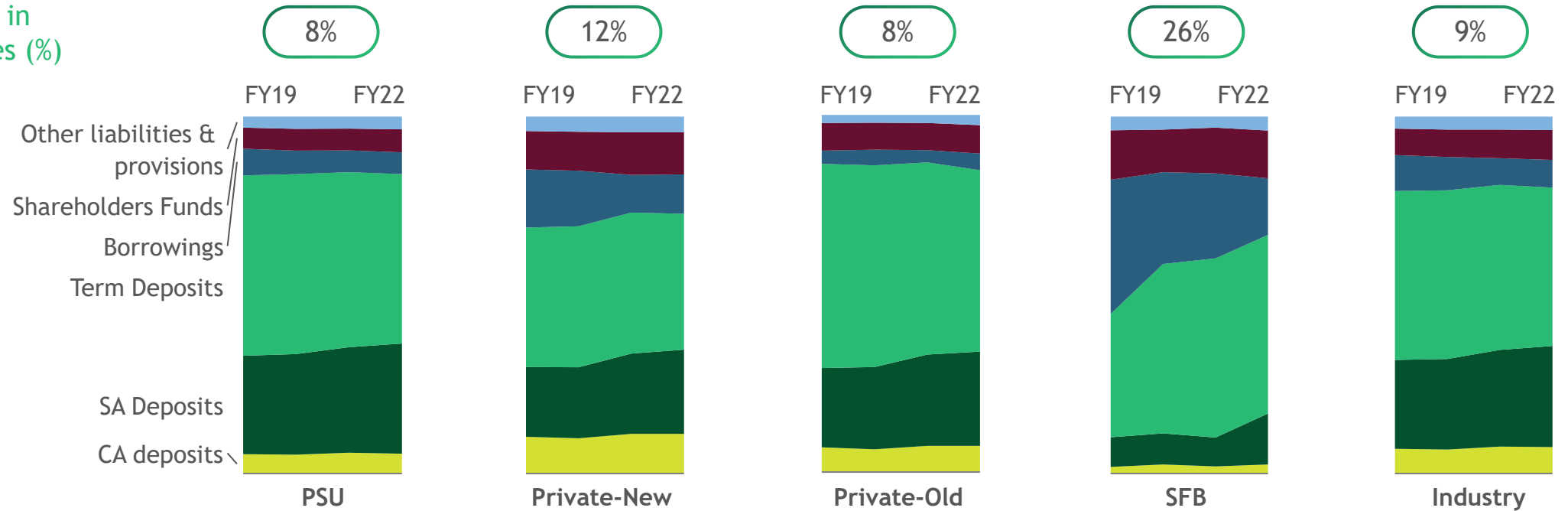




Balance Sheet Composition (%) - Liabilities Mix

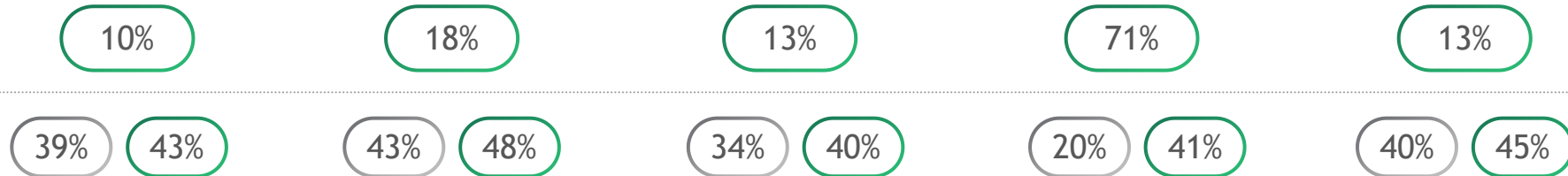
Considerable rise in CASA ratio due to lower consumer spending and relief measures

Growth¹ in liabilities (%)



Growth¹ in CASA (%)

FY19 FY22
CASA Ratio (%)



1. 3-Year CAGR (FY19 to FY22)

Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New, 6 Private-Old Banks and 3 SFBs

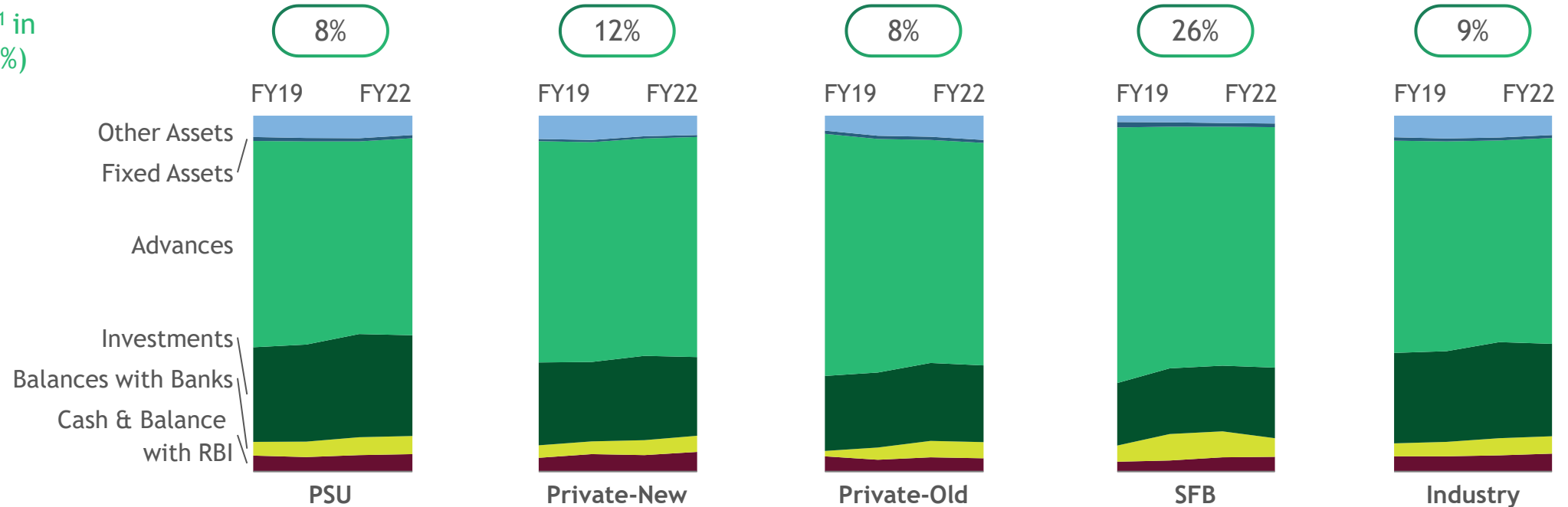
Source: RBI data; BCG analysis



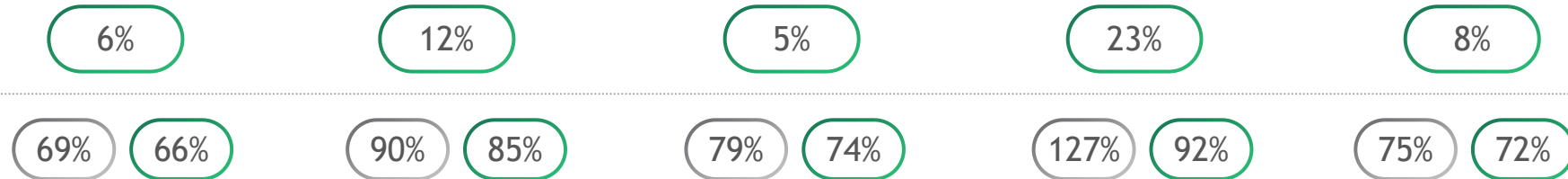
Balance Sheet Composition (%) - Assets Mix

Lower credit to deposit ratio hinting that banks still have a lot of room to support the Indian economy's recovery

Growth¹ in Assets (%)



Growth¹ in Advances (%)



FY19 FY22
CD¹ Ratio (%)

1. 3-year CAGR (FY19 to FY22); 2. Loans are Net Advances
Note: Analysis has been made based on 37 Banks: 12 PSU, 10 Private-New, 9 Private-Old Banks and 6 SFBs
Source: RBI data; BCG analysis

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

➤ Business: Advances & Deposits

NPA & Risk Management

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Key Regulatory Measures

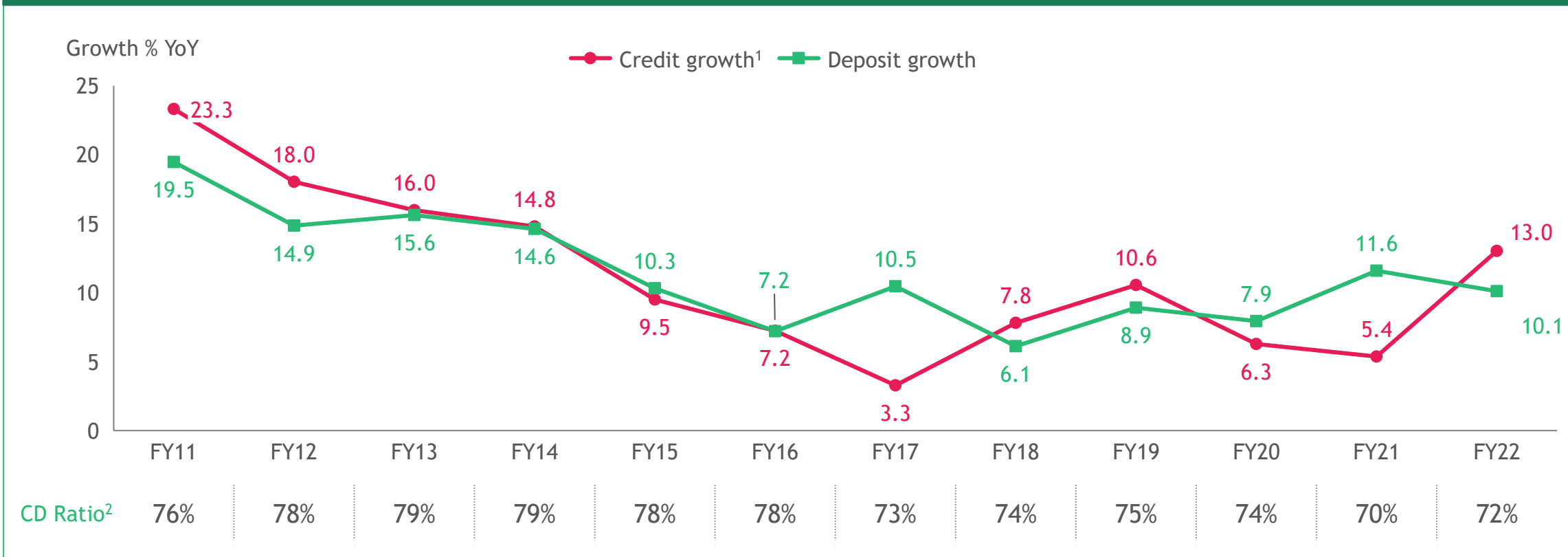
Player Performance



Bank credit witnessed double-digit growth showing recovery from pandemic

Deposits growth slowed to 10% due to the base effects & lower interest rate environment

Credit and deposit growth rate (%)



Note: 1. Credit growth are Net Advances growth 2. Credit-Deposit Ratio is calculated as Net Advances/Total Deposits
 Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, India Ratings, Press releases, BCG analysis

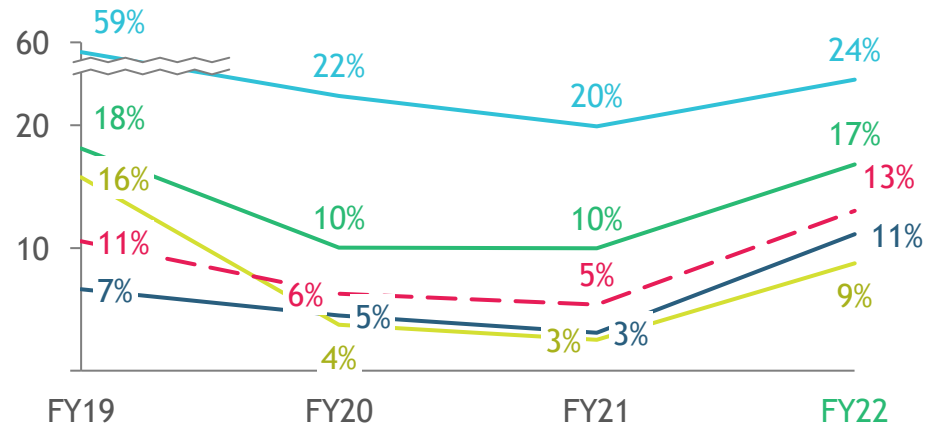


Sharp rise in overall credit growth; Moderation in aggregate deposits

Private-new banks gaining share across both credit and deposits

Credit growth by bank category

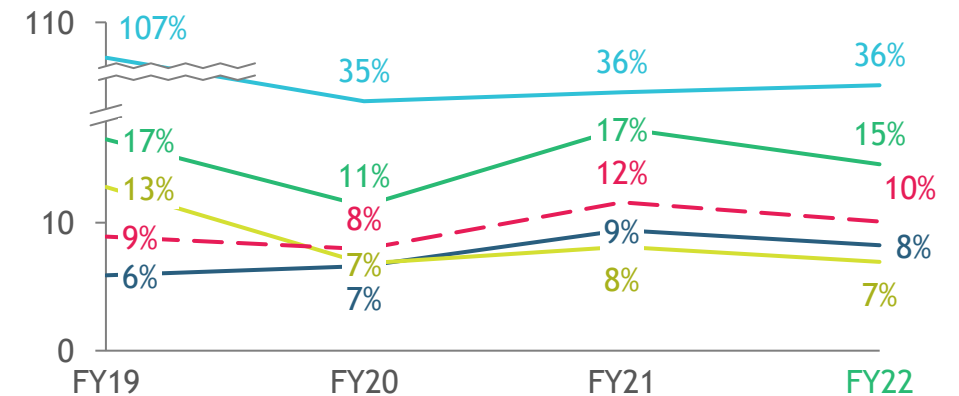
Growth % YoY



Market share ² (%)	FY19	FY20	FY21	FY22
PSU	64%	63%	61%	60%
Private-N	31%	32%	34%	35%
Private-O	5%	4%	4%	4%
SFB	0.5%	0.6%	0.7%	0.7%

Deposits growth by bank category

Growth % YoY



Market share (%)	FY19	FY20	FY21	FY22
PSU	69%	69%	67%	66%
Private-N	26%	27%	28%	29%
Private-O	4%	4%	4%	4%
SFB	0.3%	0.4%	0.5%	0.6%

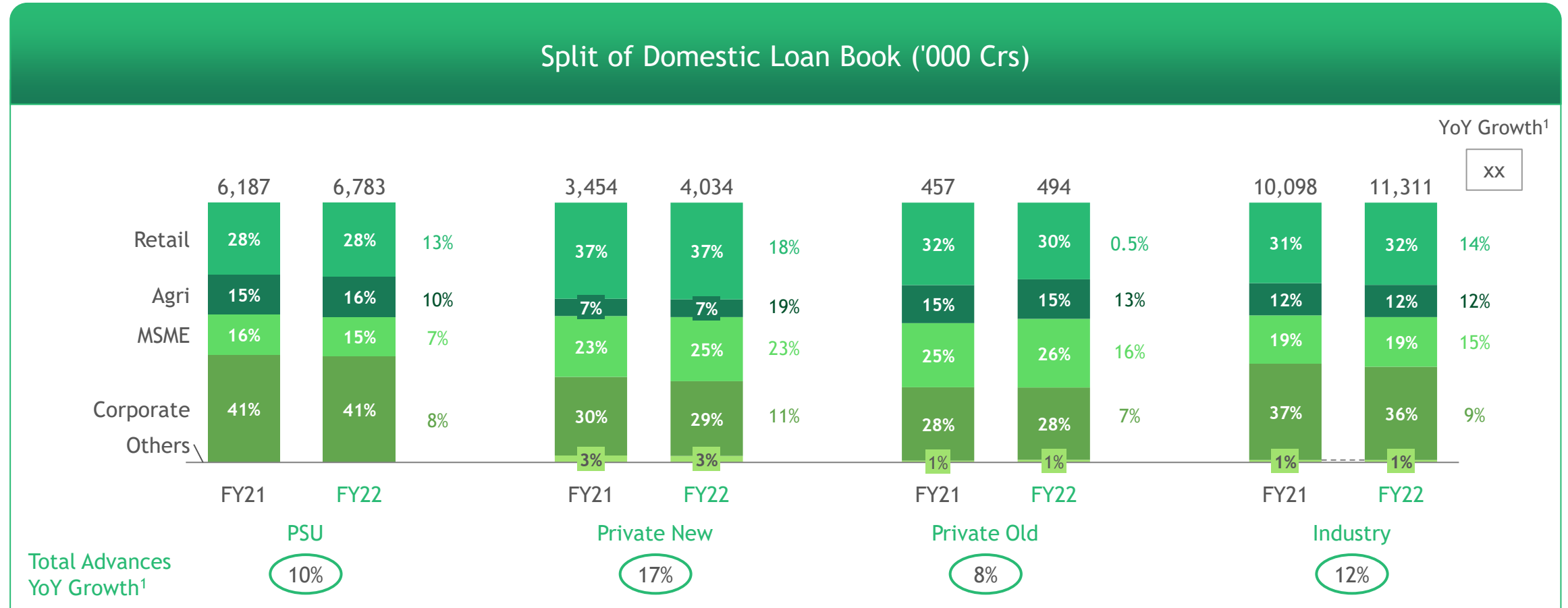
— SFB — Private-New — PSU — Private-Old — Industry

Note: 1. Credit growth are Net Advances growth 2. Total may not come to zero due to rounding off differences
 Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, Press releases, BCG analysis



Retail loans have emerged as the main driver of bank credit, which is led by a surge in personal loans

Split of Domestic Loan Book ('000 Crs)

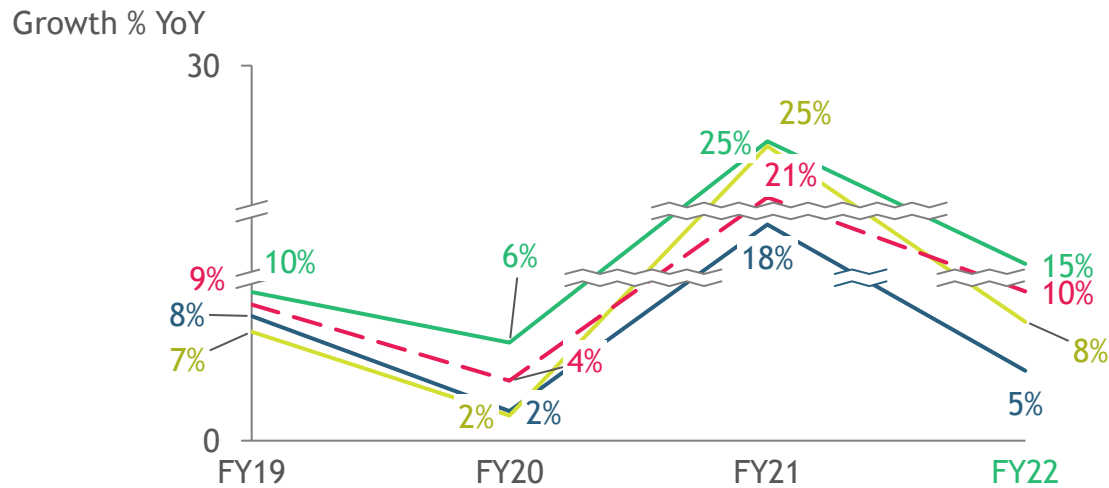


1. Growth FY22 over FY21; Note: Loan book includes domestic advances only; MSME includes SME, LAP, Business Banking and CV/CE loans; Agri includes Rural Loans, Kisan gold card loans and Tractor Loans; Others include Micro finance, PSL Inorganic + SRs and Loan Converted into Equity and credit substitutes; For HDFC Bank, (MSME advances = Commercial & Rural Banking Excluding Agriculture + Loan Against Property); Totals may not add up to 100% due to rounding off error
 Analysis has been made based on 12 PSU, 9 Private-New and 8 Private-Old Banks; SFB's have not been considered for this analysis
 Source: RBI, Capitaline, Press releases, BCG analysis



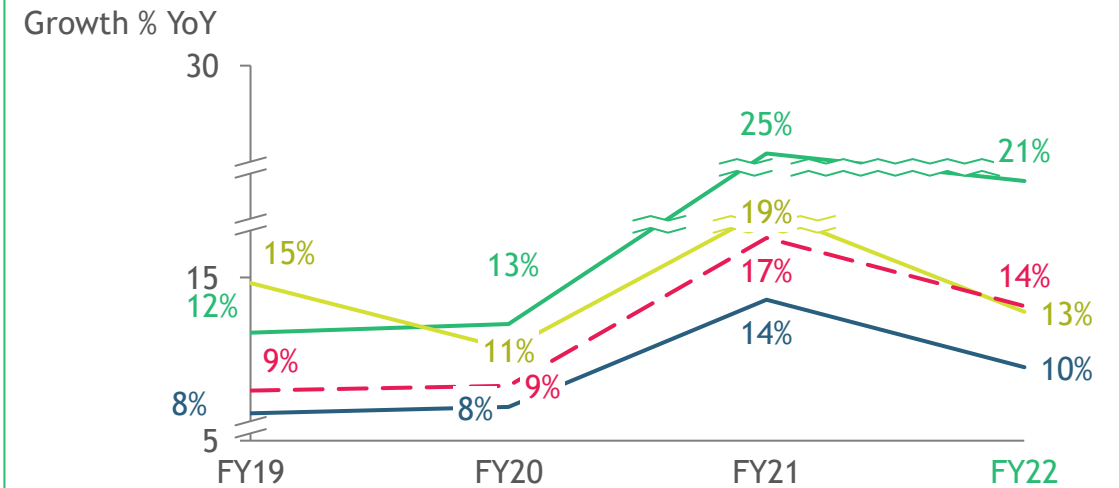
Deposits growth across players has slowed down due to lower interest rate environment; PSU Banks lagging behind peers

CA Deposits growth by bank category



Market share ² (%)	FY19	FY20	FY21	FY22
PSU	52%	51%	49%	47%
Private-N	45%	46%	48%	50%
Private-O	3%	3%	3%	3%

SA Deposits growth by bank category



Market share (%)	FY19	FY20	FY21	FY22
PSU	73%	73%	71%	69%
Private-N	24%	24%	26%	28%
Private-O	3%	3%	3%	3%

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

Note: Analysis has been made based on 12 PSU, 9 Private-New and 5 Private-Old banks
 Source: RBI, Capitaline, Press releases, BCG analysis

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

➤ NPA & Risk Management

Valuation

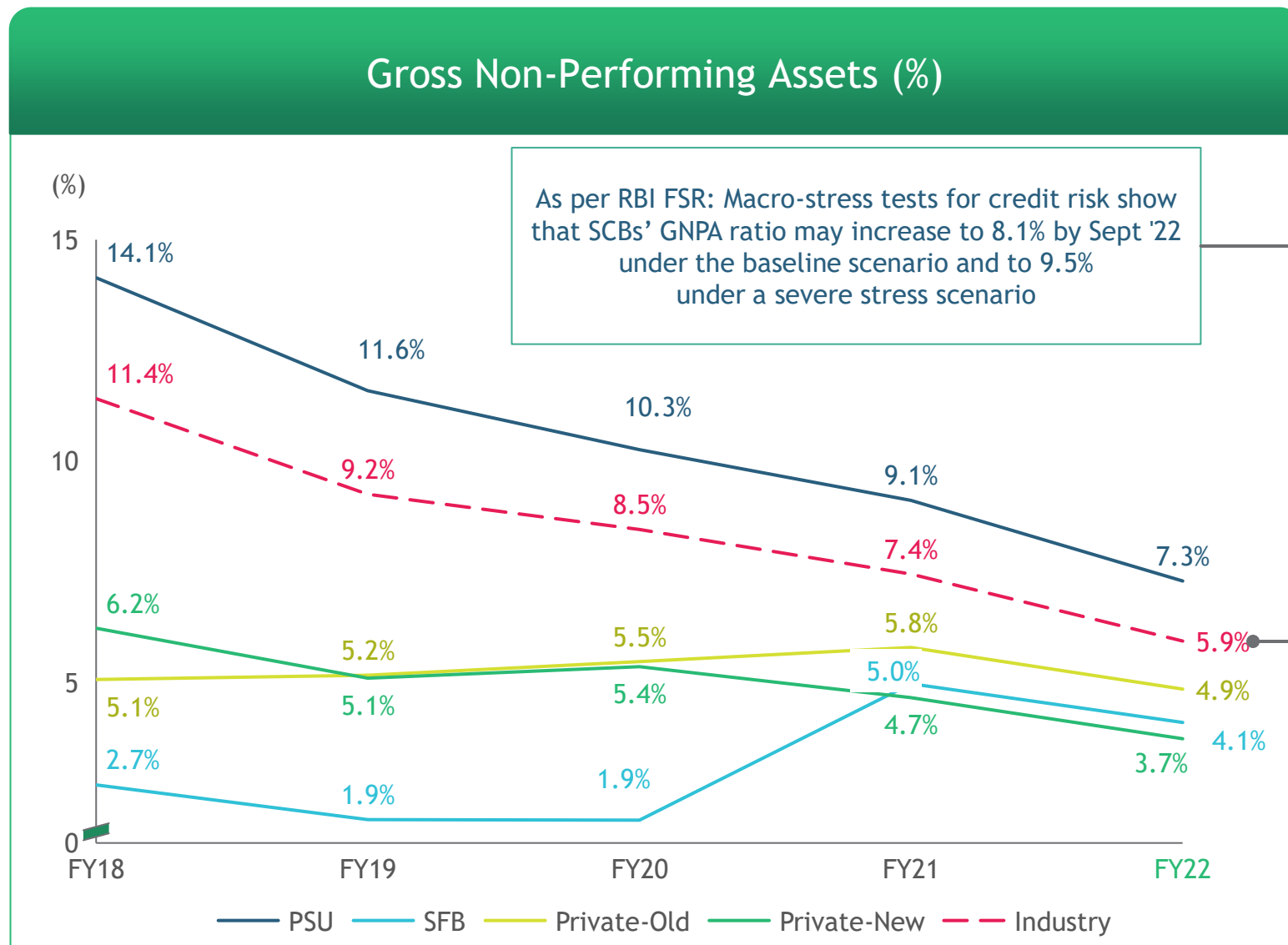
Digital in Banking

Key Regulatory Measures

Player Performance

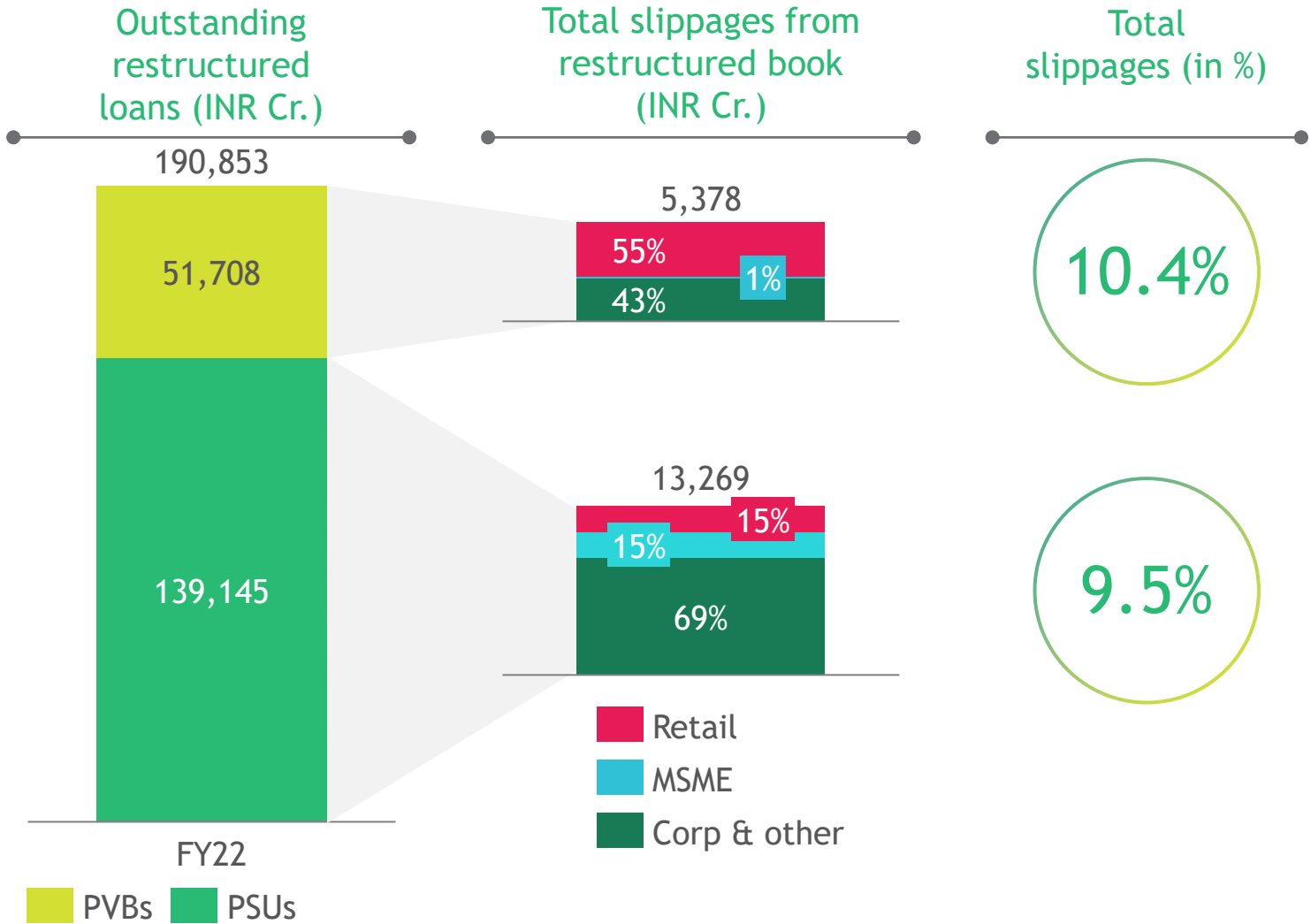


Controlled fresh slippages and healthy recoveries has resulted in decline in GNPA's



Note: Analysis has been made based on 12 PSU, 10 Private-New, 9 Private-Old and 4 Small Finance Banks
 Source: RBI, Capitaline, Press releases, BCG analysis

However, delinquencies are expected from the restructured book under covid-19 schemes



Although overall bad loan numbers are improving, banks should be cautious about future delinquencies arising out of the restructured book

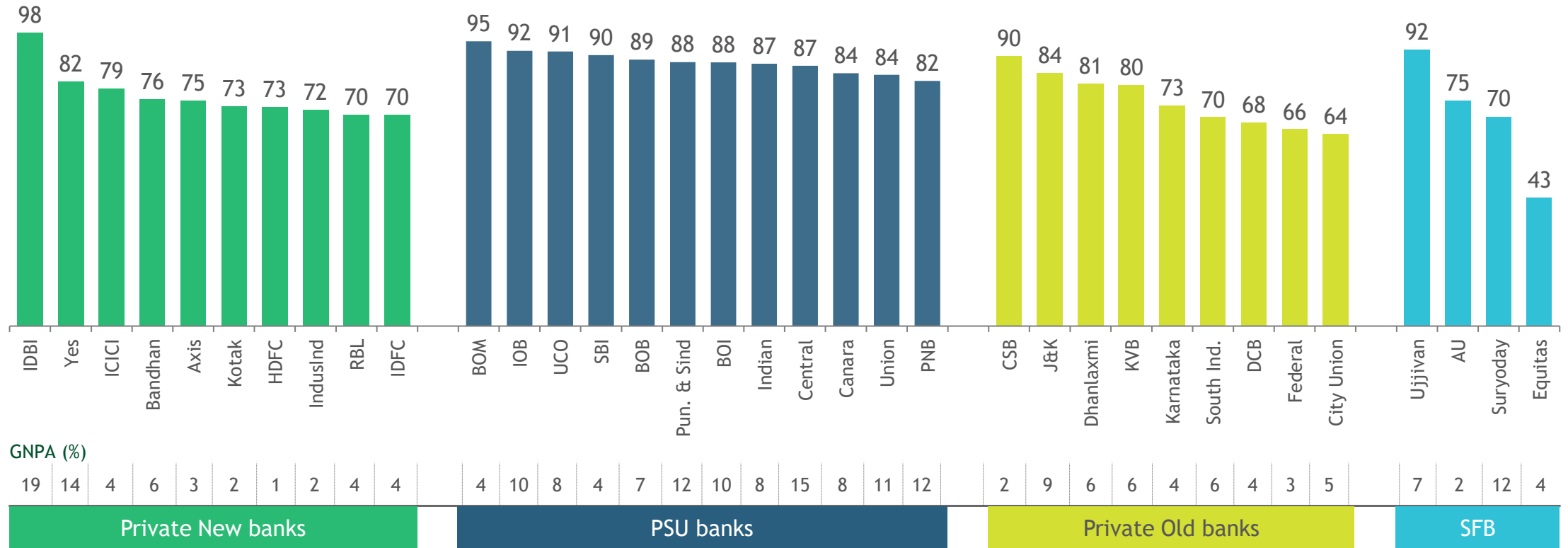
Over INR 18,500 cr. of restructured loans has slipped into the NPA category despite an extension of the repayment period and easier payment terms

Some banks have scheduled staggered exits from moratoriums for borrowers so that repayment delays and recoveries could be managed better



Healthy provision coverage against NPAs across banks

Provision coverage ratio¹ (%) (Mar' 22)



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



Bounce Rates: Back to pre-COVID levels, trend expected to continue



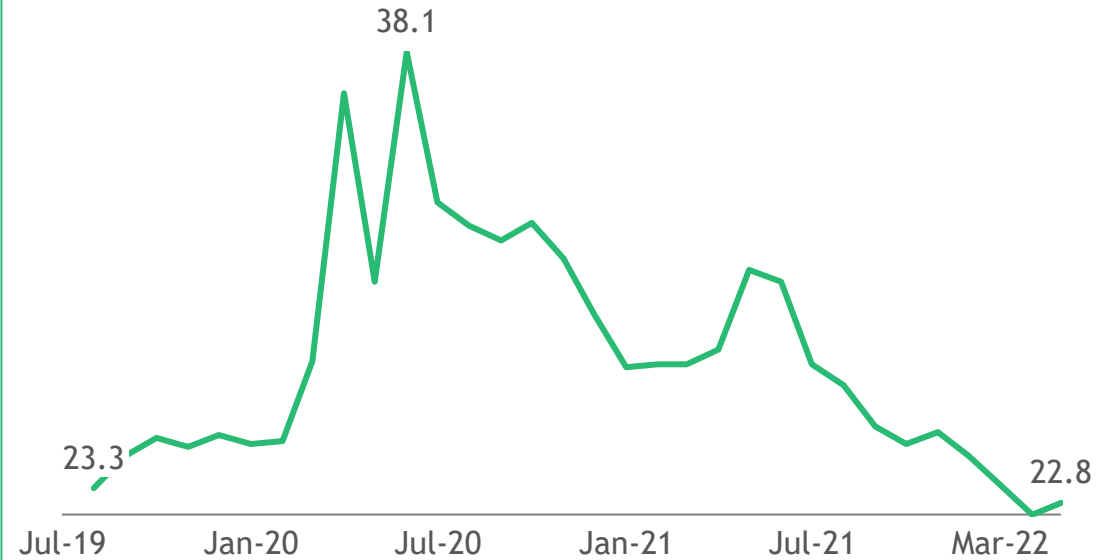
Improvement in bounce rates in Mar '22

Bounce rate, vol (%)



Encouraging improvement in last few months

Bounce rate, val (%)



Note: Recurring payments - Returns/ Presentation
Source: NPCI, BCG Analysis

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

> Valuation

Digital in Banking

Key Regulatory Measures

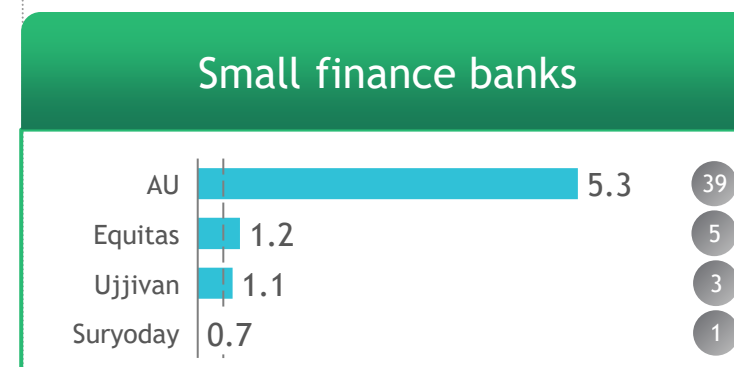
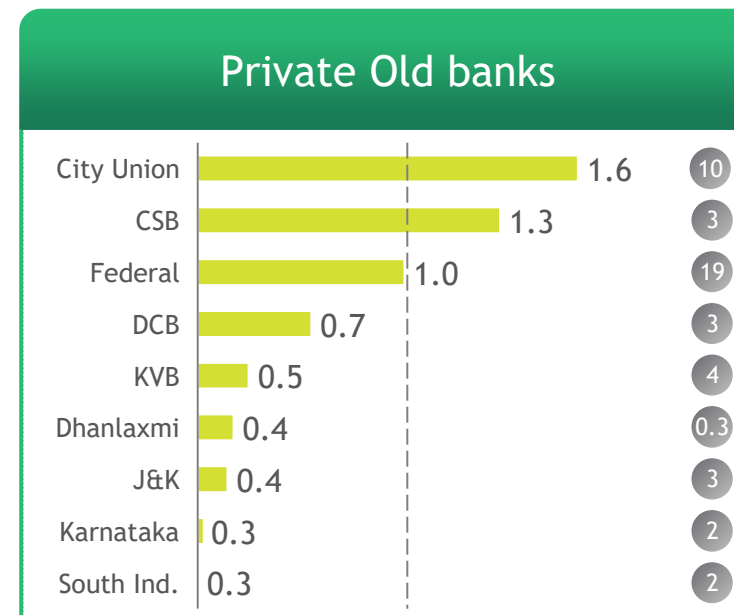
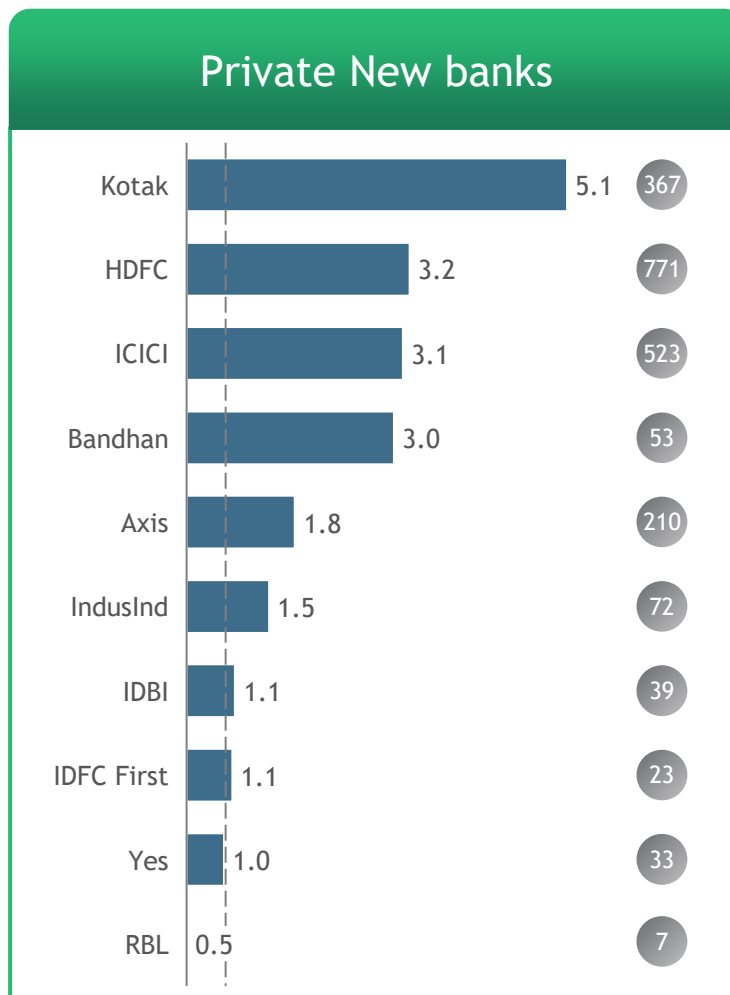
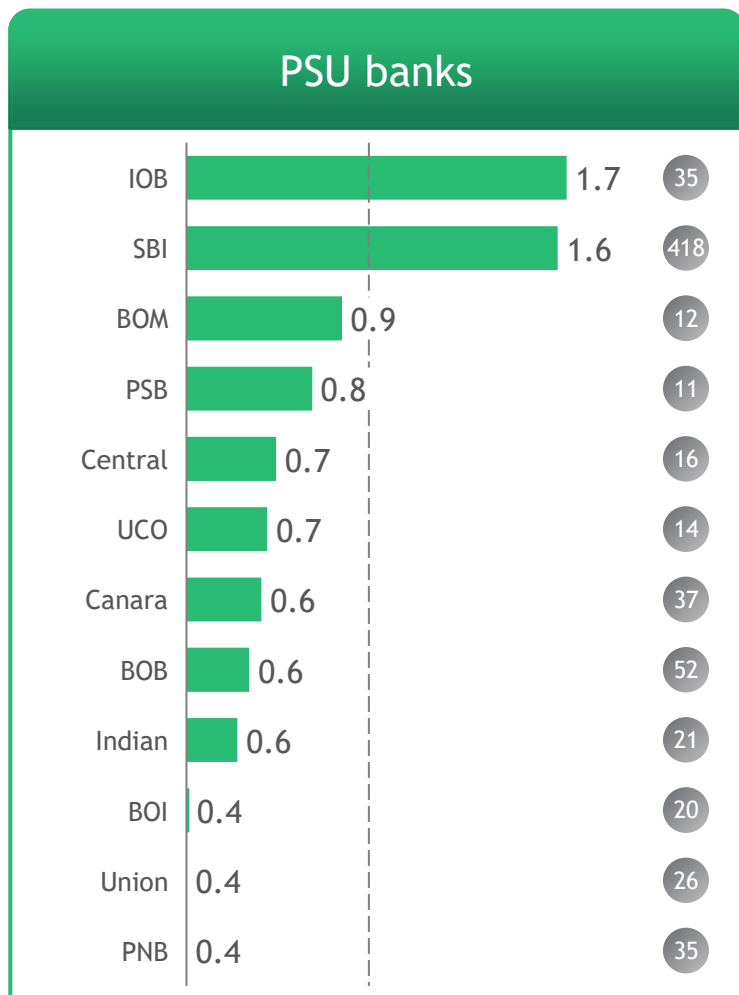
Player Performance



Most PSU banks valued at discount to book value

Price to book ratio (as on 31st May 2022)

Select Banks



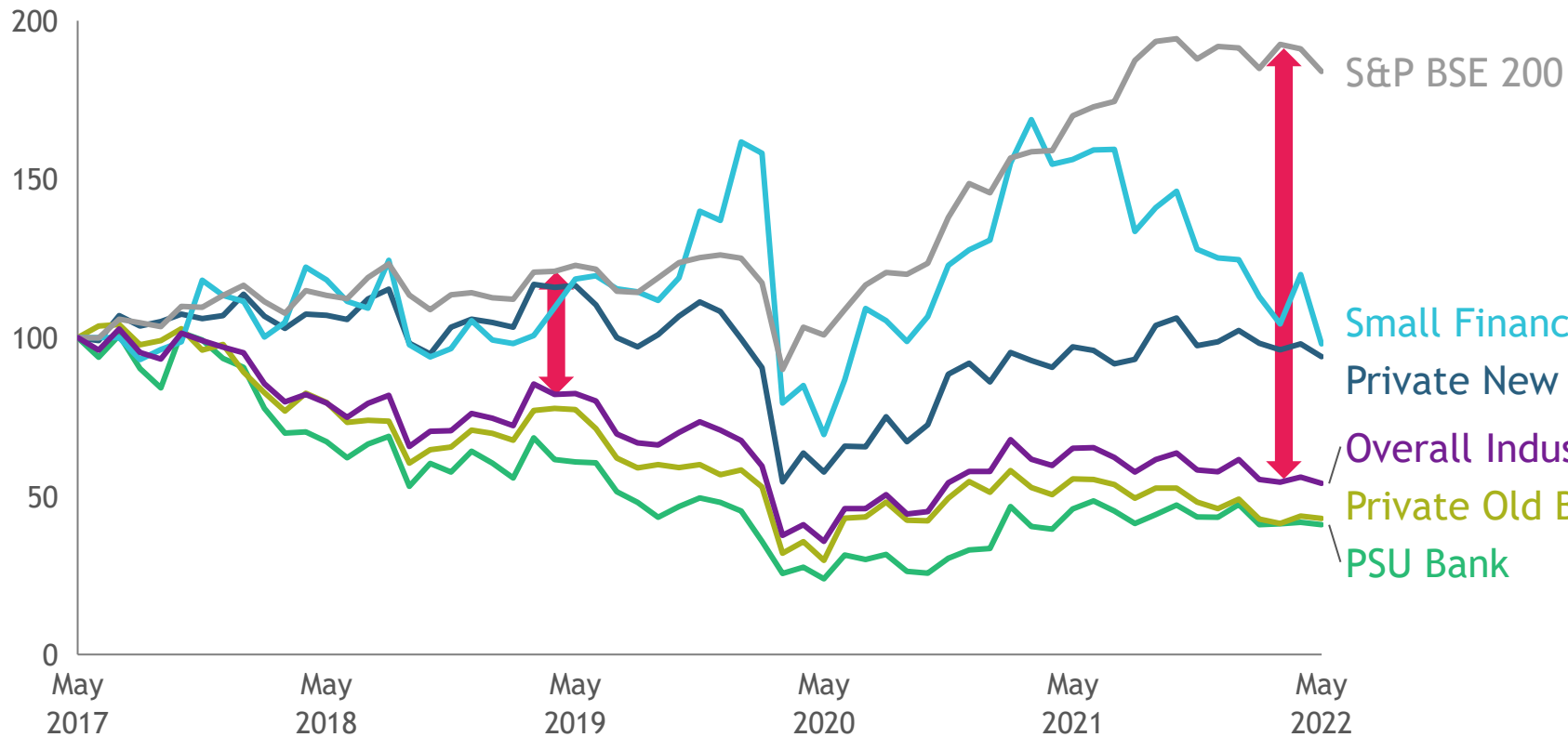
Source: Capitaline, BCG analysis

Market Cap (Rs in '000 crores) (as on 31st May 2022)

Value creation by Financial Institutions below broader market in past five years

Gap between banking sector vs broader index has widened over the last one year

TSR Index: May 2017 = 100



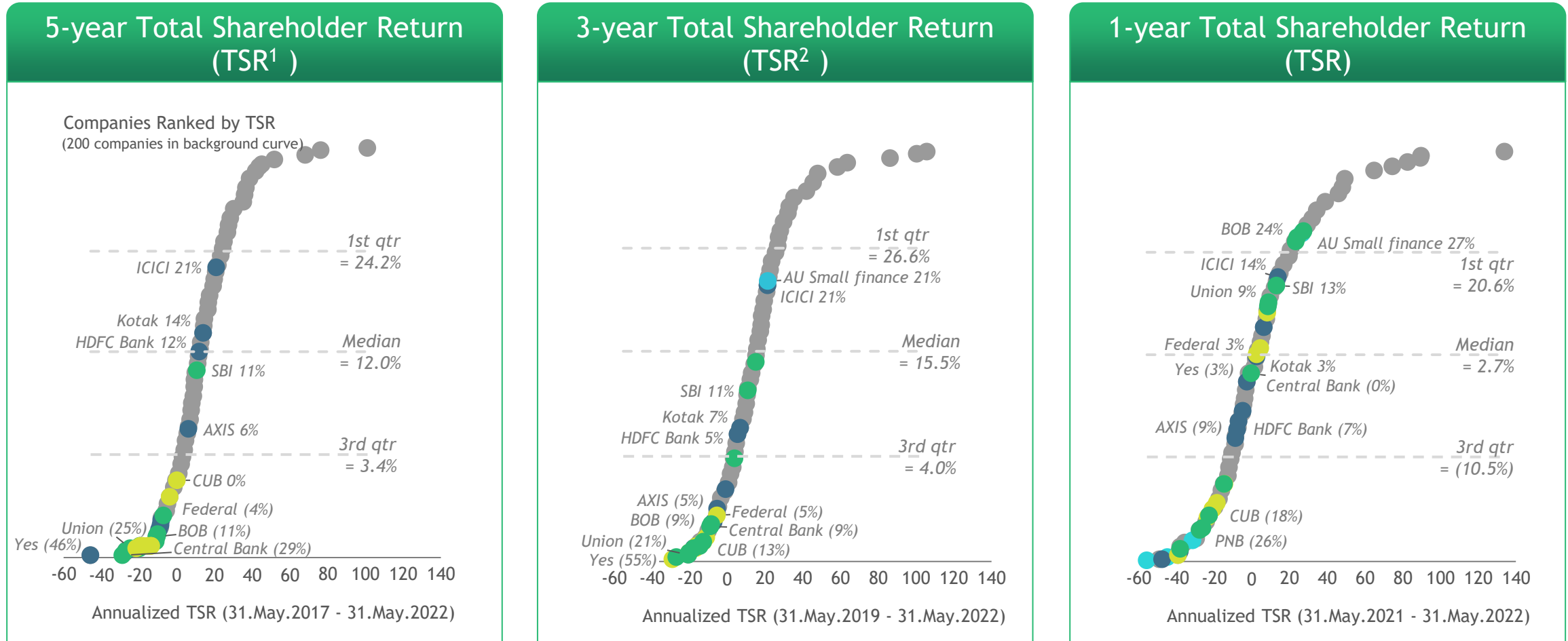
Over period May 2017 - May 2022		
	5 Yr. average annual TSR %	1 Yr. average annual TSR %
S&P BSE 200	13%	8%
Small Finance Bank	0%	-37%
Private New Banks	-1%	-3%
Overall Industry	-12%	-17%
Private Old Bank	-16%	-23%
PSU Bank	-16%	-11%

Note: TSR is calculated between 31st May 2017 through 31st May 2022 in the company's reporting currency. Please refer to annexure page for detailed list of constituents within each tier considered for analysis.

Source: S&P Capital IQ; BCG ValueScience® Center

Financial Institutions value creation over time

Value creation among banking institutions witnessed a shift with PSU banks creating more value for shareholders more recently



● Private New Banks ● Private Old Banks ● PSU Banks ● Small Finance Banks

1. Small finance banks have been excluded from this period since the first pricing date of the banks fall beyond the start date of the analysis; 2. Equitas, Ujjivan small finance bank, Suryoday Small finance have been excluded from this period, since the first pricing date of the banks fall beyond the start date of the analysis. Note: Background Curve: S&P BSE 200, Based on data ending in May; TSRs use company reporting currency;
 Source: S&P Capital IQ; BCG ValueScience® Center

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

Valuation

 Digital in Banking

Key Regulatory Measures

Player Performance



Emergence of end-to-end digital adoption by Indian Banking Industry

Select Banks

FY22	AXIS BANK	ICICI Bank	SBI	बैंक ऑफ बड़ोदा Bank of Baroda	IndusInd Bank
Saving Account sourced digitally	70% ¹ ↓ 100 bps	NA	63% ⁶ ↓ 500 bps	92% ³ ↑ 200 bps	98% ³ ↑ 300 bps
FD sourced digitally	68% ↓ 300 bps	56% ² NC	NA	69% ³ NC	95% ³ ↑ 100 bps
SIPs initiated digitally	46% ↓ 1100 bps	69% ² ↑ 500 bps	~INR 10K Cr ⁷ ↑ ~4x	NA	96% ³ ↑ 300 bps
Credit Card issued digitally	78% ² ↑ 400 bps	91% ² ↑ 1400 bps	NA	NA	84% ³ ↑ 4700 bps
Personal Loans sourced digitally	46% ² ↓ 1100 bps	94% ² ↑ 300 bps	~INR 20K Cr ⁶	97% NC	53% ³ ↑ 1500 bps
YoY growth in Volume of MB Transaction	97% ↓ 7200 bps	3.2x times ⁵	NA	NA	84% ⁴ ↓ 5200 bps

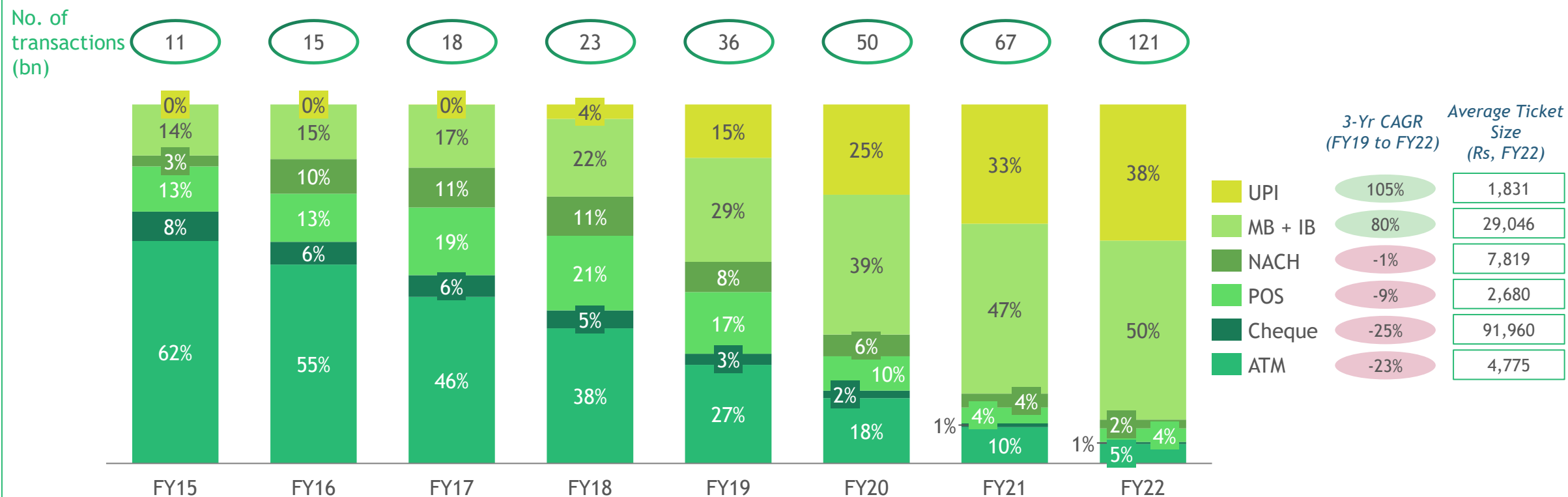
Note: 1.Digital Tablet based account opening process for FY22; 2.Issuance through Phygital and digital mode in FY22; 3.Quarterly Data (Q4 FY22) 4.YoY growth from Feb'21 to Feb'22 5.YoY growth in number of transactions for UPI - iMobile Pay 6.Opened through YONO 7.MF sales through YONO
Source: NPCI, Investor presentations, Analyst reports, BCG analysis

↑ ↓ Y-o-Y change NC = No Change



Continuing surge in transactions with increasing share of UPI, MB/IB: ~88%

Split of Financial Transactions² (%) 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 FY19-FY22 5. Total may not sum to 100 because of differences due to rounding off 6. Ticket Size calculated basis Value/Volume
 Source: RBI data, National Payments Corporation of India (NPCI) statistics, BCG analysis

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

Valuation

Digital in Banking

 Key Regulatory Measures

Player Performance



Key Regulatory Measures (I/III)

	5 th May	Resolution 2.0 for Covid-19 related stress of individual, MSMEs and small businesses	<p>Announcement: RBI has permitted MSMEs, Individuals and Small Businesses to recast their loans, without being downgraded to non-performing category</p> <p>Link to full document</p>
	14 th Jun	RBI releases Consultative Document on Regulation of Microfinance	<p>Announcement: The document is aimed at protecting the microfinance borrowers from over-indebtedness as well as enabling competitive forces to bring down the interest rates by empowering the borrowers to make an informed decision</p> <p>Link to full document</p>
	24 th Sep	Master Directions on “Transfer of Loan Exposures”	<p>Announcement: Loan transfers are resorted to by lending institutions for multitude of reasons ranging from liquidity management, rebalancing their exposures or strategic sales. With a view to create a robust secondary market in loans, RBI has issued set of regulatory guidelines governing transfer of loan exposures</p> <p>Link to full document</p>
	24 th Sep	Master Directions on “Securitisation of Standard Assets”	<p>Announcement: Prudentially structured securitisation transactions will be an important facilitator in a well-functioning financial market in that it improves risk distribution and liquidity of lenders in originating fresh loan exposures</p> <p>Link to full document</p>



Key Regulatory Measures (II/III)

	23 rd Nov	The Cryptocurrency and Regulation of Official Digital Currency Bill, 2021	<p>Announcement: According to the Lok Sabha bulletin on the legislative agenda, the bill has been listed for the winter session of Parliament to create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India.</p> <p>The Bill also seeks to prohibit all private cryptocurrencies in India; however, it allows for certain exceptions to promote the underlying technology of cryptocurrency and its uses</p>
	14 th Dec	Prompt Corrective Action (PCA) Framework for NBFCs	<p>Announcement: RBI issued a PCA Framework for NBFCs to further strengthen the supervisory tools applicable to NBFCs. The PCA Framework for NBFCs, as contained in the enclosed Annex, comes into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022.</p> <p>Impact: The PCA framework would enable supervisory intervention at appropriate time and require the supervised entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health.</p> <p>Link to full document</p>
	15 th Dec	Draft Master Direction on Minimum Capital Requirements for Operational Risk	<p>Announcement: RBI issued Draft Master Directions on Minimum Capital Requirements for Operational Risk as part of the convergence of its regulations for banks with Basel-III standards, likely to come into effect from 1 April 2023.</p> <p>Impact: Introduction of revised norms for setting aside capital for operational risks would ensure robustness in working of banking entities.</p> <p>Link to full document</p>



Key Regulatory Measures (II/III)

	18 th Feb	Master Direction on Digital Payment Security Controls	<p>Announcement: Going by the pre-eminent role being played by digital payment systems in India, RBI gives highest importance to the security controls around it. These guidelines will create an enhanced and enabling environment for customers to use digital payment products in more safe and secure manner</p> <p>Link to full document</p>
	6 th Jan	Basel III Framework on Liquidity Standards	<p>Announcement: To better align RBI's guidelines with BCBS (Basel Committee on Banking Supervision) standard, it has been decided to increase the threshold limit for deposits and other extensions of funds made by non-financial Small Business Customers from Rs 5 crore to Rs 7.5 crore for the purpose of maintenance of Liquidity Coverage Ratio (LCR)</p> <p>Impact: Increase in threshold limit would enable banks to manage liquidity risk more effectively.</p> <p>Link to full document</p>
	14 th Mar	Master Direction - Regulatory Framework for Microfinance Loans, 2022	<p>Announcement: Directions shall be applicable with effect from 01/04/2022 which provide a common definition of MFI loans linked solely to the AHI of the borrower, regardless of the lending institution, end-use of the loan & the mode of application/processing/disbursal.</p> <p>Impact: The distinction drawn under the earlier framework between rural & urban area households has also been done away with. This coupled with the increase in the household income threshold to INR 3 lakh is likely to boost the consumer bases of the regulated entities.</p> <p>Link to full document</p>

Banking sector overview

Macro Indicators

Key Performance Indicators- Banking & NBFC

Key Performance Indicators- Banking Industry

Business: Advances & Deposits

NPA & Risk Management

Valuation

Digital in Banking

Key Regulatory Measures

 Player Performance



Player performance (I/III)

Period		Net Advances ¹ Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)
	FY '22	13.7L	15.6L	48%	3.8%	37%	1.2%	1.9
	FY '21	11.3L	13.4L	46%	4.0%	36%	1.3%	1.9
	FY '22	8.6L	10.6L	49%	3.6%	41%	3.6%	1.8
	FY '21	7.3L	9.3L	46%	3.3%	37%	5.0%	1.4
	FY '22	7.1L	8.2L	45%	3.1%	49%	2.8%	1.2
	FY '21	6.1L	7.0L	46%	3.1%	44%	3.7%	0.7
	FY '22	2.7L	3.1L	61%	4.1%	48%	2.3%	2.1
	FY '21	2.2L	2.8L	60%	4.1%	42%	3.3%	1.9
	FY '22	2.4L	2.9L	43%	3.9%	43%	2.3%	1.2
	FY '21	2.1L	2.6L	42%	4.0%	42%	2.7%	0.8
	FY '22	1.8L	2.0L	31%	2.2%	70%	13.9%	0.4
	FY '21	1.7L	1.6L	26%	2.8%	55%	15.4%	-1.3
	FY '22	1.5L	2.3L	57%	3.1%	46%	19.1%	0.8
	FY '21	1.3L	2.3L	50%	2.8%	46%	22.4%	0.4
	FY '22	1.2L	0.9L	55%	5.5%	75%	3.7%	0.1
	FY '21	1.0L	0.8L	55%	4.7%	74%	4.2%	0.3
	FY '22	0.9L	1.0L	42%	6.9%	31%	6.5%	0.1
	FY '21	0.8L	0.8L	43%	7.3%	29%	6.8%	2.1
	FY '22	0.6L	0.8L	35%	3.9%	57%	4.4%	-0.1
	FY '21	0.6L	0.7L	32%	4.0%	49%	4.3%	0.5

Private new banks

Change vs. last year

Note: 1. Advances are net advances; 2. RoA and NIM are calculated as % of average assets; 3. CIR is calculated as Opex by Total Income (NII + Other Income);
Source: RBI, Capitaline, Press releases, BCG analysis



Player performance (II/III)

Period		Net Advances ¹ Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	
PSU banks	SBI	FY '22	27.3L	40.5L	45%	2.5%	53%	4.0%	0.7%
		FY '21	24.5L	36.8L	46%	2.6%	54%	5.0%	0.5%
			▲12%	▲10%	▼-85 bps	▼-7 bps	▼-83 bps	▼-101 bps	▲18 bps
	pnb	FY '22	7.3L	11.5L	47%	2.2%	49%	11.8%	0.3%
		FY '21	6.9L	11.1L	45%	2.9%	48%	14.1%	0.2%
			▲8%	▲4%	▲202 bps	▼-67 bps	▲156 bps	▼-234 bps	▲7 bps
	Bank of Baroda	FY '22	7.8L	10.5L	44%	2.7%	49%	6.6%	0.6%
		FY '21	7.1L	9.7L	43%	2.5%	49%	8.9%	0.1%
			▲10%	▲8%	▲137 bps	▲19 bps	▲2 bps	▼-226 bps	▲53 bps
	Canara Bank	FY '22	7.0L	10.9L	36%	2.2%	46%	7.5%	0.5%
		FY '21	6.4L	10.1L	34%	2.2%	50%	8.9%	0.2%
			▲10%	▲7%	▲155 bps	▲3 bps	▼-340 bps	▼-142 bps	▲24 bps
	Union Bank	FY '22	6.6L	10.3L	37%	2.5%	46%	11.1%	0.5%
		FY '21	5.9L	9.2L	36%	2.4%	46%	13.7%	0.3%
			▲12%	▲12%	▲21 bps	▲10 bps	▼-28 bps	▼-263 bps	▲19 bps
	Bank of India	FY '22	4.2L	6.3L	45%	1.9%	54%	10.0%	0.5%
	FY '21	3.7L	6.3L	41%	2.1%	51%	13.8%	0.3%	
		▲15%	▲0%	▲380 bps	▼-14 bps	▲313 bps	▼-379 bps	▲15 bps	
Indian Bank	FY '22	3.9L	5.9L	42%	2.6%	46%	8.5%	0.6%	
	FY '21	3.6L	5.4L	42%	2.6%	49%	9.9%	0.5%	
		▲7%	▲10%	▼-53 bps	▼-5 bps	▼-234 bps	▼-138 bps	▲10 bps	
Central Bank of India	FY '22	1.7L	3.4L	50%	2.5%	54%	14.8%	0.3%	
	FY '21	1.6L	3.3L	49%	2.3%	60%	16.6%	-0.2%	
		▲7%	▲4%	▲126 bps	▲24 bps	▼-580 bps	▼-171 bps	▲51 bps	
Indian Overseas Bank	FY '22	1.4L	2.6L	43%	2.2%	49%	9.8%	0.6%	
	FY '21	1.3L	2.4L	43%	2.2%	49%	11.7%	0.3%	
		▲13%	▲9%	▲92 bps	▼0 bps	▲7 bps	▼-187 bps	▲29 bps	
UCO BANK	FY '22	1.2L	2.2L	40%	2.4%	50%	7.9%	0.4%	
	FY '21	1.2L	2.2L	40%	2.2%	53%	9.6%	0.1%	
		▲3%	▲2%	▲61 bps	▲24 bps	▼-351 bps	▼-170 bps	▲28 bps	
Bank of Maharashtra	FY '22	1.3L	2.0L	58%	2.8%	44%	3.9%	0.5%	
	FY '21	1.0L	1.7L	54%	2.7%	47%	7.2%	0.3%	
		▲28%	▲16%	▲386 bps	▲15 bps	▼-312 bps	▼-329 bps	▲24 bps	
Punjab & Sind Bank	FY '22	0.6L	1.0L	34%	2.3%	63%	12.2%	0.9%	
	FY '21	0.6L	1.0L	33%	2.1%	76%	13.8%	-2.6%	
		▲4%	▲6%	▲100 bps	▲15 bps	▼-1245 bps	▼-159 bps	▲349 bps	

Change vs. last year

Note: 1. Advances are net advances; 2. RoA and NIM are calculated as % of average assets; 3. CIR is calculated as Opex by Total Income (NII + Other Income); Source: RBI, Capitaline, Press releases, BCG analysis



Player performance (III/III)

	Period	Net Advances ¹ Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ² (%)	CIR ³ (%)	GNPA (%)	ROA ² (%)	
Private old banks	FEDERAL BANK	FY '22	1.4 L	1.8 L	37%	2.8%	53%	2.8%	0.9%
		FY '21	1.3L	1.7 L	34%	2.9%	49%	3.4%	0.8%
	J&K Bank	FY '22	0.7 L	1.1 L	57%	3.1%	71%	8.7%	0.4%
		FY '21	0.7 L	1.1 L	57%	3.3%	64%	9.7%	0.4%
	SOUTH INDIAN Bank	FY '22	0.6 L	0.9 L	33%	2.3%	62%	5.9%	0.0%
		FY '21	0.6 L	0.8 L	30%	2.5%	54%	7.0%	0.1%
	Karnataka Bank	FY '22	0.6 L	0.8 L	33%	2.8%	53%	3.9%	0.6%
		FY '21	0.5 L	0.8 L	31%	2.6%	47%	4.9%	0.6%
	KVB Karur Vysya Bank	FY '22	0.6 L	0.7 L	35%	3.5%	53%	6.0%	0.9%
		FY '21	0.5 L	0.6 L	34%	3.3%	61%	7.9%	0.5%
SFBs	CITY UNION BANK	FY '22	0.4 L	0.5 L	33%	3.3%	40%	4.7%	1.3%
		FY '21	0.4 L	0.4 L	29%	3.6%	42%	5.1%	1.2%
	DCB BANK	FY '22	0.3 L	0.3 L	27%	3.2%	56%	4.3%	0.7%
		FY '21	0.3 L	0.3 L	23%	3.3%	49%	4.1%	0.9%
	CSB Bank	FY '22	0.2 L	0.2 L	34%	4.7%	56%	1.8%	1.9%
		FY '21	0.1 L	0.2 L	32%	4.5%	59%	2.7%	1.0%
	Dhanlaxmi Bank	FY '22	0.1 L	0.1 L	40%	2.7%	75%	6.3%	0.3%
		FY '21	0.1 L	0.1 L	40%	2.6%	81%	9.1%	0.3%
	AU SMALL FINANCE BANK	FY '22	0.5 L	0.5 L	38%	5.4%	57%	2.0%	1.9%
		FY '21	0.3 L	0.4 L	24%	5.0%	44%	4.3%	2.5%
SFBs	equitas	FY '22	0.2 L	0.2 L	52%	7.9%	66%	4.2%	1.1%
		FY '21	0.2 L	0.2 L	34%	8.2%	60%	3.7%	1.7%
	Ujjivan	FY '22	0.2 L	0.2 L	27%	8.1%	72%	7.3%	-1.9%
		FY '21	0.1 L	0.1 L	21%	8.9%	61%	7.1%	0.0%
SFBs	SURYODAY	FY '22	0.05 L	0.04 L	19%	7.8%	61%	11.8%	-1.2%
		FY '21	0.04 L	0.03 L	15%	6.6%	67%	9.4%	0.2%

Change vs. last year

Note: 1. Advances are net advances; 2. RoA and NIM are calculated as % of average assets; 3. CIR is calculated as Opex by Total Income (NII + Other Income); Source: RBI, Capitaline, Press releases, BCG analysis

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