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Banking Sector Roundup - Q1FY22

SEPTEMBER 2021

Banking Sector Update Q1FY22 - 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
- Growth in CASA-TD
- Current account circular & impact

Key Performance Indicators



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

NPA & Risk Management



- Trends in asset quality
- Movement of NPAs
- Covid restructuring

Valuation



- Price to book value ratio
- Market capitalization

Digital in Banking



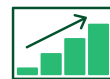
- Performance of select banks
- Growth in digital payments
- UPI payments

Key Regulatory Measures



- Recent regulatory measures

Quarterly Player Performance



- Benchmarking of banks

Outlook for FY22



- FY22 outlook of banking Industry

Glossary: Classification of Indian banks used in this document

PSU (12 banks)



Indian Overseas Bank



Private—New (10 banks)



Private—Old (9 banks)



Executive summary (I/II)



Macro Trends

- India's FY22 GDP forecasted to grow at 7.7% to 10.5%;
- While most indicators were severely hit in May'21, there were signs of slight recovery in Jun'21 vs. pre-Covid levels
- Jul'21 repo and reverse repo rate remained unchanged since May'20; MCLR dipped marginally in Jun'21 vs May'21



Business: Advances and Deposits

- Bank credit to improve to low-teens in FY22 with pick up in economic activity; Deposit growth continues to outpace credit growth
- Growth driven by retail and agriculture segments while corporate and MSME growth remain muted
- Seasonal slowdown in CASA deposits growth across players in Q1FY22;
- Private sector banks have gained ~7% market share across loans & deposits from PSBs in past 5 years



Key Performance Indicators

- Massive turnaround in profits by merged banks BoB, PNB, Canara, Union & Indian
- Banking sector reported highest quarterly profit in 5 years; Overall pre-provision profit pool at 2.3% of Avg assets
- Private-new banks outperform peers with lowest CIRs
- Comfortable capitalization levels providing adequate buffer for future growth

Executive summary (II/II)



NPA and Risk Management

- Overall Industry GNPA stable at 7.5%; Asset quality slightly deteriorating for Private banks; however stable NPAs for PSU banks
- Fresh accretion to NPAs increases in Q1FY22 post onset of second Covid wave
- Increase in covid restructuring post the onset of the second wave in Q1FY22; Sequential increase across banks, primarily in retail and MSME segments



Valuation

- Most PSU banks valued below book value; private banks commanding premium; HDFC bank contributes ~30% of overall banking sector Mcap



Digital in Banking

- Emergence of end-to-end digital adoption by Indian Banking Industry
- Banks continue to trail behind non-lending PSPs in UPI volume with PhonePe as market leader



Outlook

- Low interest rate environment to continue, CPI inflation to remain low at ~5.7%, expect RBI to keep the repo rate unchanged in 2021; RBI forecasts GDP to grow at only 9.5% in FY22 supported by strong external demand
- Large banks to lead the show with sufficient capital, accelerating market share, stronger deposits, lower cost ratios and clean balance sheet



> Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

Risk Management & Collections

Valuation

Digital in Banking

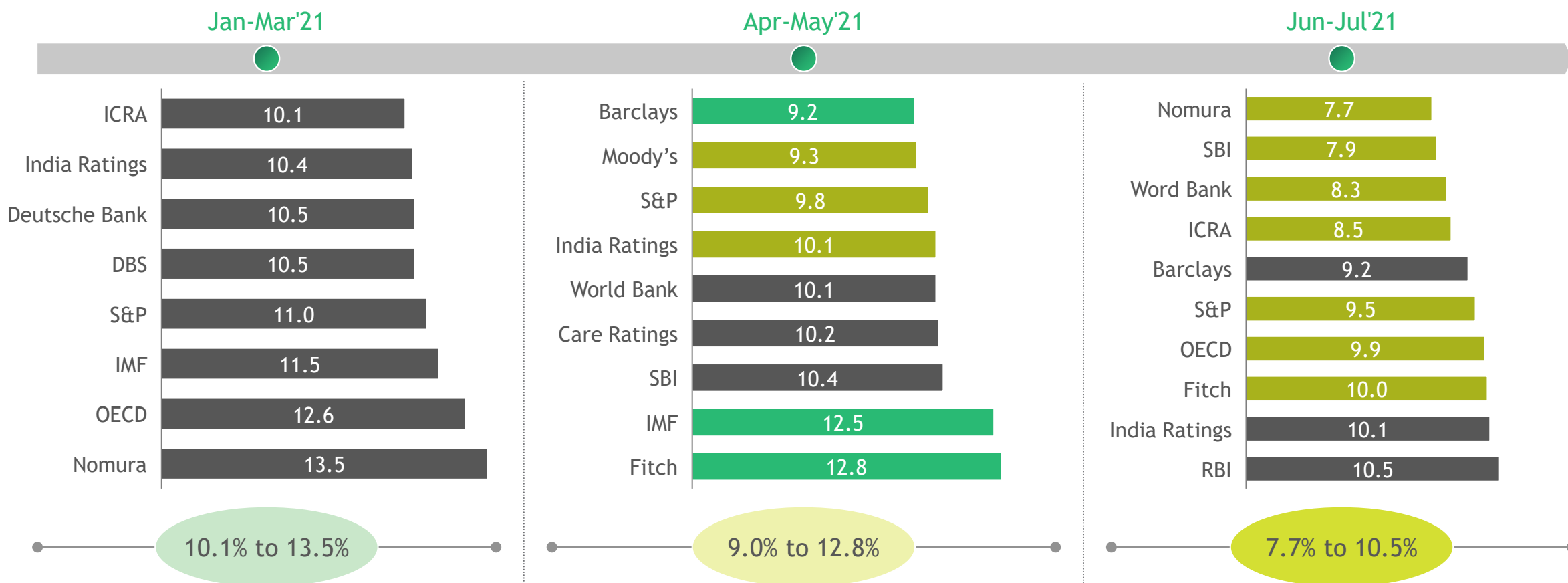
Key Regulatory Measures

Quarterly Player Performance

Outlook for FY22

FY22 GDP growth forecast at 7.7% - 10.5%; Most projections revised downwards

India GDP growth forecast for FY22 (YoY,%)



Source: Analyst reports, BCG analysis

No change
 Downward revision
 Upward revision

While most indicators were severely hit in May'21, there were signs of slight recovery in Jun'21 vs. pre-Covid levels

	Indicator	Unit	Jan	Feb	Mar	Apr	May	Jun
1	Industrial Activity							
	Power Consumption	MU	-7%	-10%	-9%	2%	-10%	-4%
	Petroleum Consumption	MT	-3%	-1%	-5%	-7%	-21%	-8%
	Index of Industrial Prod.	Index	-1%	-1%	0%	0%	-14%	NA
2	Trade							
	Services Export	USD	-4%	6%	14%	-3%	-7%	NA
	Services Import	USD	-8%	8%	10%	-13%	-18%	NA
	Merchandise Export	USD	4%	4%	5%	17%	8%	30%
	Merchandise Import	USD	1%	10%	10%	10%	-15%	4%
3	Logistics							
	E-Way Bills Generated	Mn	24%	27%	30%	12%	-30%	29%
	Railway Freight Orig.	MT	12%	12%	9%	10%	9%	NA
	JNPT Container Traffic	TEUs	6%	12%	12%	4%	1%	8%
	Air Freight	kT	-12%	-9%	-8%	-4%	-19%	-13%
	Air Passenger Traffic	Mn	-46%	-39%	-40%	-53%	-85%	-77%
	Rail Passengers Booked	Mn	-67%	-55%	-56%	-69%	-87%	-80%
4	Financial Services							
	UPI Transactions	Mn	292%	297%	280%	238%	222%	274%
	Total Bank Credit	INR	14%	14%	12%	13%	11%	NA
	Total Bank Deposits	INR	23%	23%	20%	22%	21%	NA

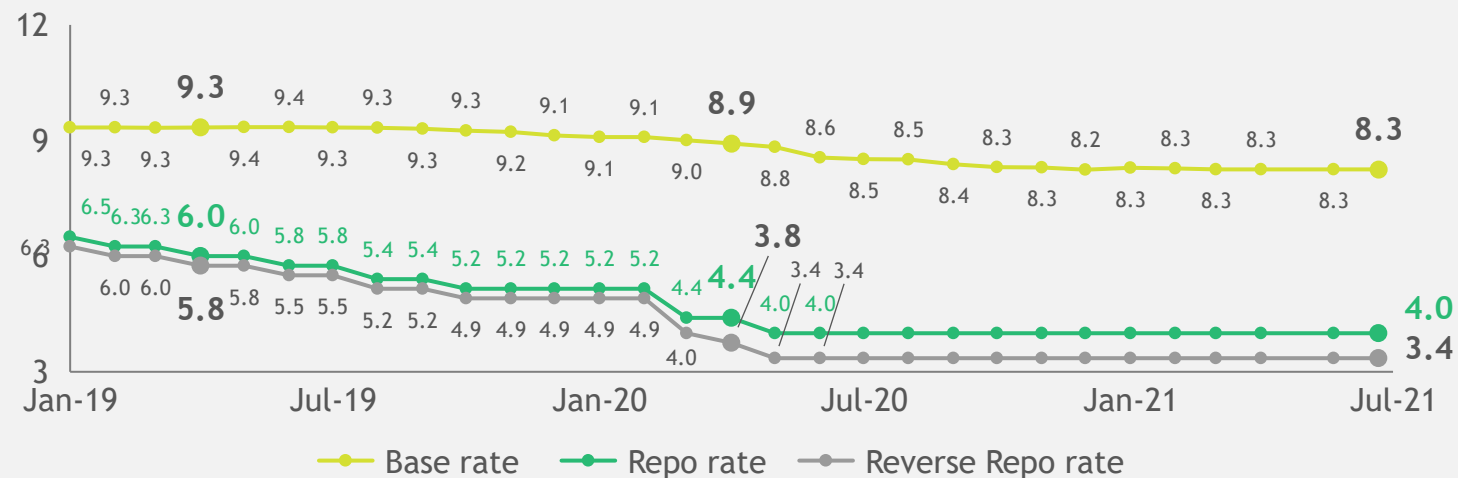
	Indicator	Unit	Jan	Feb	Mar	Apr	May	Jun
5	Sector-wise Impact							
	Cement Production	MT	-1%	2%	-1%	-4%	-15%	NA
	Steel Sales	MT	22%	17%	-2%	-2%	6%	-6%
	Passenger Vehicle Sales	k	-4%	-2%	-8%	0%	-58%	7%
	Tractor Sales	k	19%	42%	65%	16%	-2%	47%
	Two-wheeler Sales	k	-2%	-5%	10%	-20%	-65%	-28%
	Fertilizer Sales	MT	15%	15%	-23%	40%	35%	49%
	Gross Prem. (Life)	INR	23%	23%	16%	-2%	-30%	-7%
	Gross Prem. (Non-Life)	INR	15%	22%	9%	9%	1%	3%
	Pharma. Sales	INR	13%	14%	21%	13%	36%	18%
	Chemical Prod. Index	Index	7%	6%	6%	3%	4%	NA
6	Macroeconomic Indicators							
	Total GST Collection	INR	17%	16%	17%	24%	2%	-7%
	MGNREGA Jobs Demand	HHs	-88%	-86%	-87%	21%	10%	37%
	MGNREGA Jobs Provided	HHs	-88%	-87%	-88%	-7%	-22%	1%
	No. of Tenders Announced	k	59%	38%	102%	232%	82%	73%
7	Sentiment							
	India VIX	Index	48%	54%	20%	5%	5%	-10%
	PMI (Manufacturing)	Index	57.7	57.5	55.4	55.5	50.8	48.1
	PMI (Services)	Index	52.8	55.3	54.6	54.0	46.4	41.2

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

MCLR dipped marginally in Jun'21 vs May'21

Reserve bank's policy rates (%)

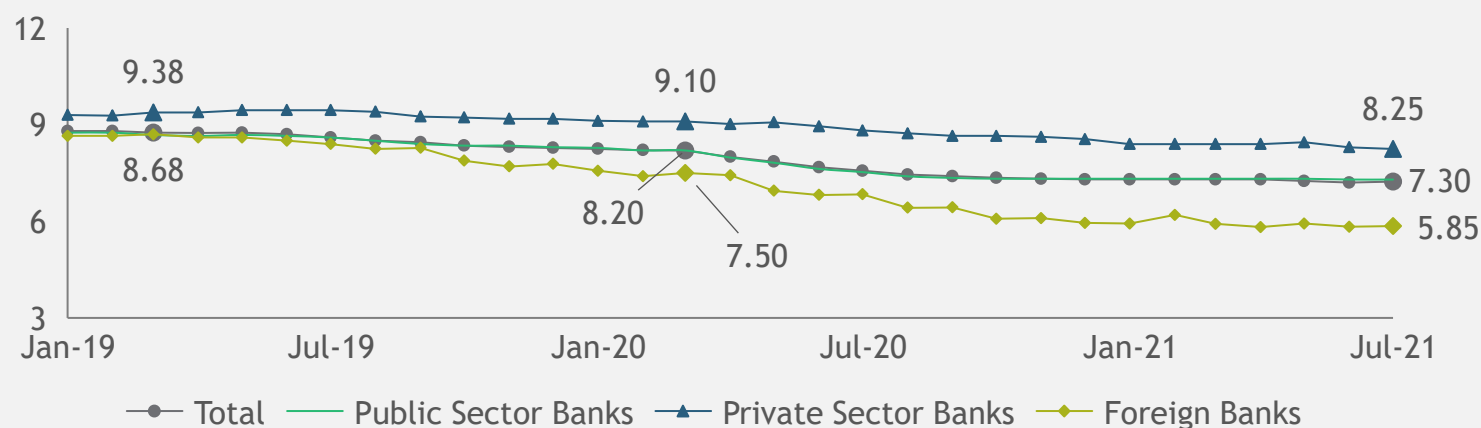
Policy rate %



MCLR of scheduled commercial banks

(Median rate on one-year borrowings, in %)

MCLR (%)





Macro Indicators

➤ Business: Advances & Deposits

Key Performance Indicators

Risk Management & Collections

Valuation

Digital in Banking

Key Regulatory Measures

Quarterly Player Performance

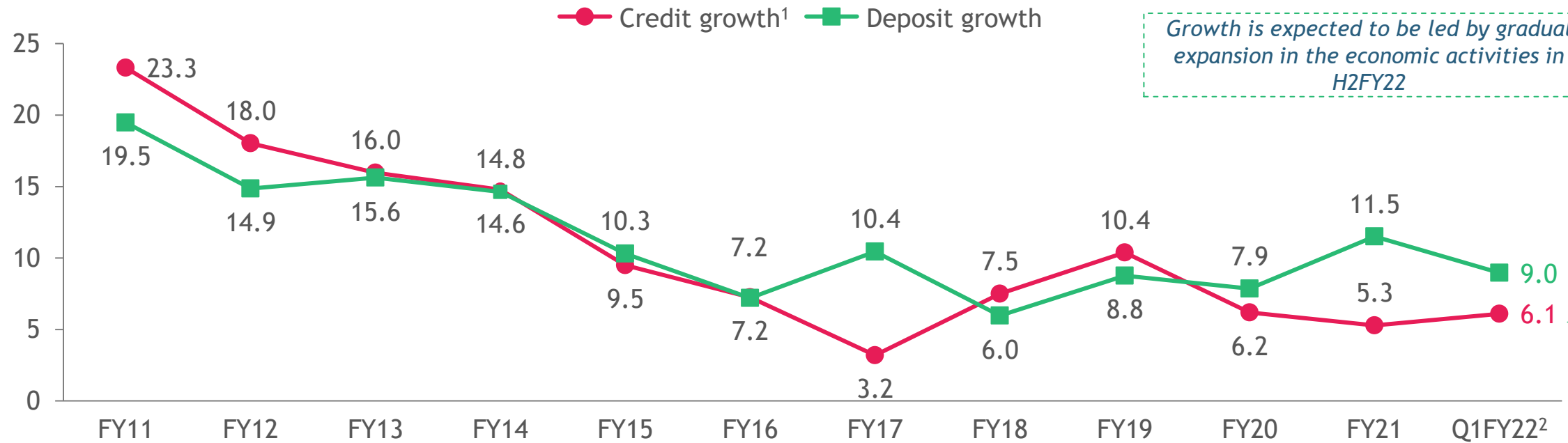
Outlook for FY22

Bank credit to improve to low-teens in FY22 with pick up in economic activity

Deposit growth continues to exceed credit growth as banks remain risk averse

Credit and deposit growth rate (%)

Growth % yoy



CD Ratio ³	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	Q1FY22 ²
	76%	78%	79%	79%	78%	78%	73%	74%	75%	74%	70%	69%

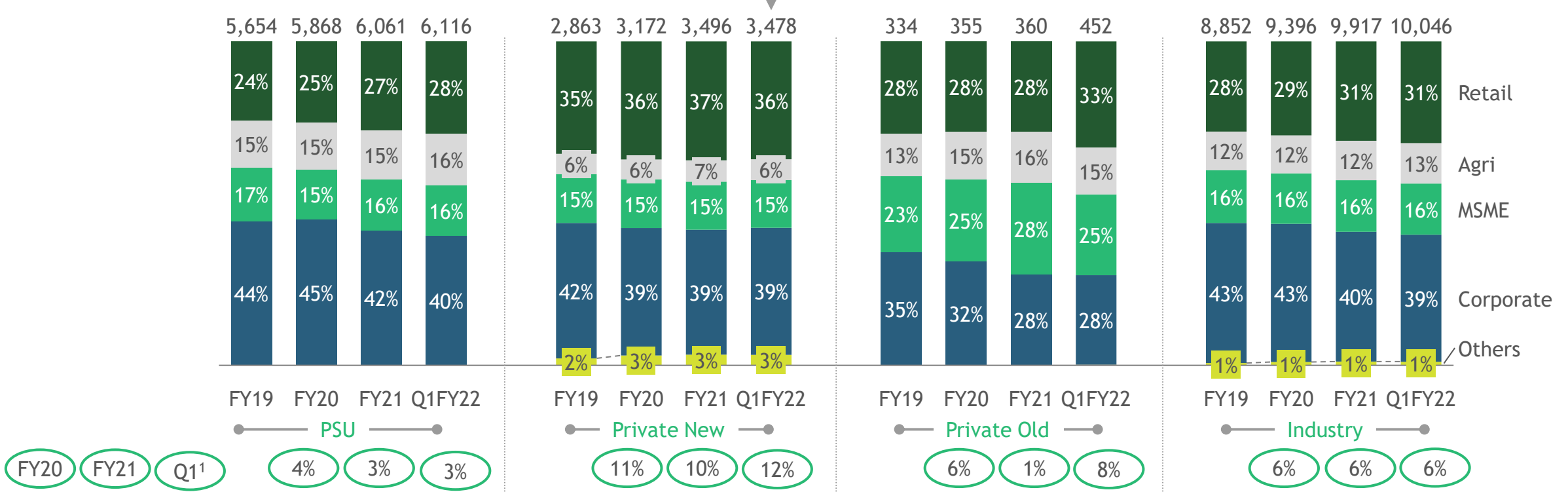
Note: 1. Credit growth are Net Advances growth 2. Growth Q1FY22 over Q1FY21 3. Credit-Deposit Ratio is calculated as Net Advances/Total Deposits
 Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
 Source: RBI; Capitaline; Care Ratings, Press releases; BCG analysis

Overall credit growth continues to be driven by retail and agriculture segments

Slower growth in Corporate and MSME segment restricts the overall credit growth

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

To capture corporate loan market share vacated by PSBs, HDFC and ICICI saw healthy growth in wholesale book

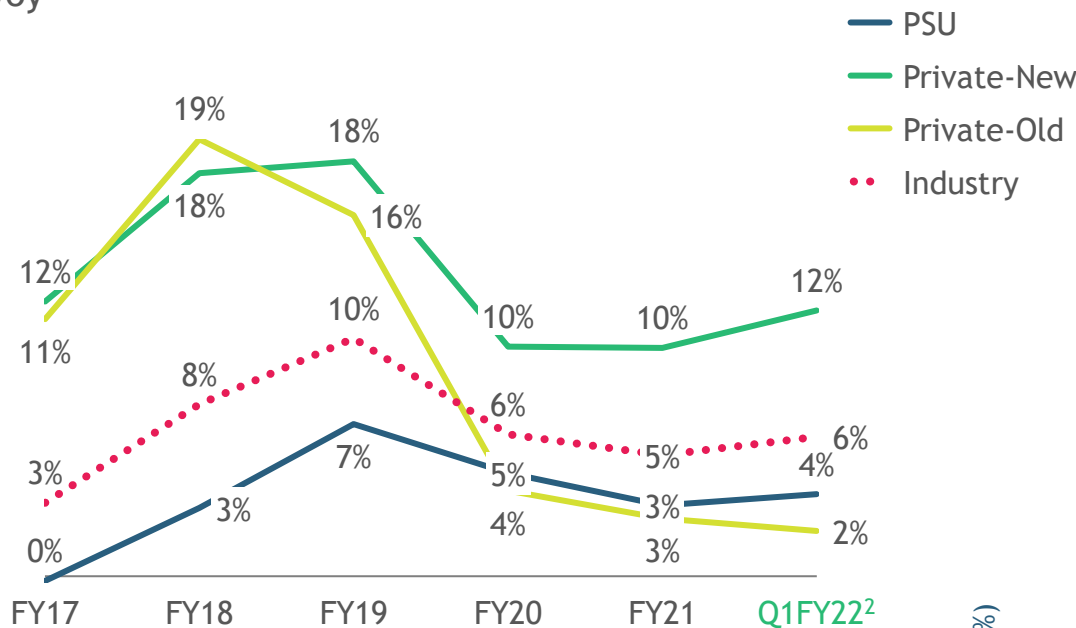


1. Growth Q1FY22 over Q1FY21; Note: Loan book includes domestic advances only; MSME includes SME, LAP, Business Banking and CV/CE loans; Agri includes Rural Loans, Kisan gold card loans and Tractor Loans; Others include Micro finance, PSL Inorganic + SRs and Loan Converted into Equity and credit substitutes
 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

Private sector banks have gained ~7% market share across loans & deposits from PSBs in past 5 years

Credit growth by bank category

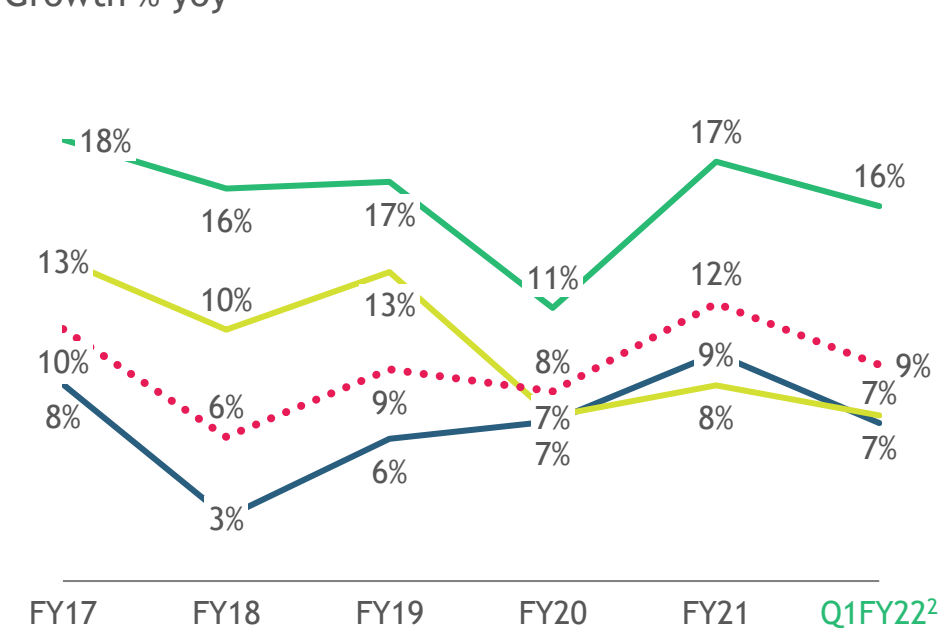
Growth % yoy



Market share (%)	FY17	FY18	FY19	FY20	FY21	Q1FY22 ²
PSU	69%	67%	64%	63%	62%	62%
Private-N	27%	29%	31%	32%	34%	34%
Private-O	4%	4%	5%	4%	4%	4%

Deposits growth by bank category

Growth % yoy



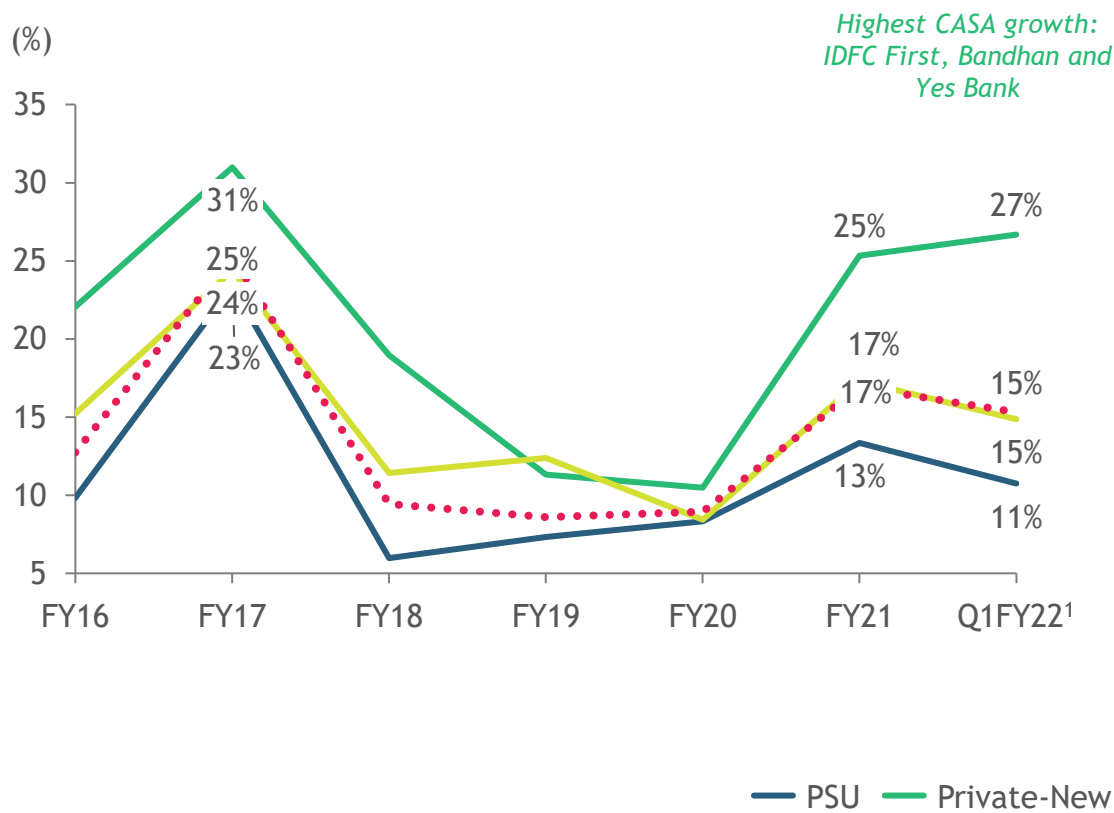
Market share (%)	FY17	FY18	FY19	FY20	FY21	Q1FY22 ²
PSU	74%	72%	70%	69%	68%	67%
Private-N	22%	24%	26%	27%	28%	28%
Private-O	4%	4%	4%	4%	4%	4%

Note: 1. Credit growth are Net Advances growth 2. Growth Q1FY22 over Q1FY21; Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
Source: RBI; Capitaline; Press releases; BCG analysis

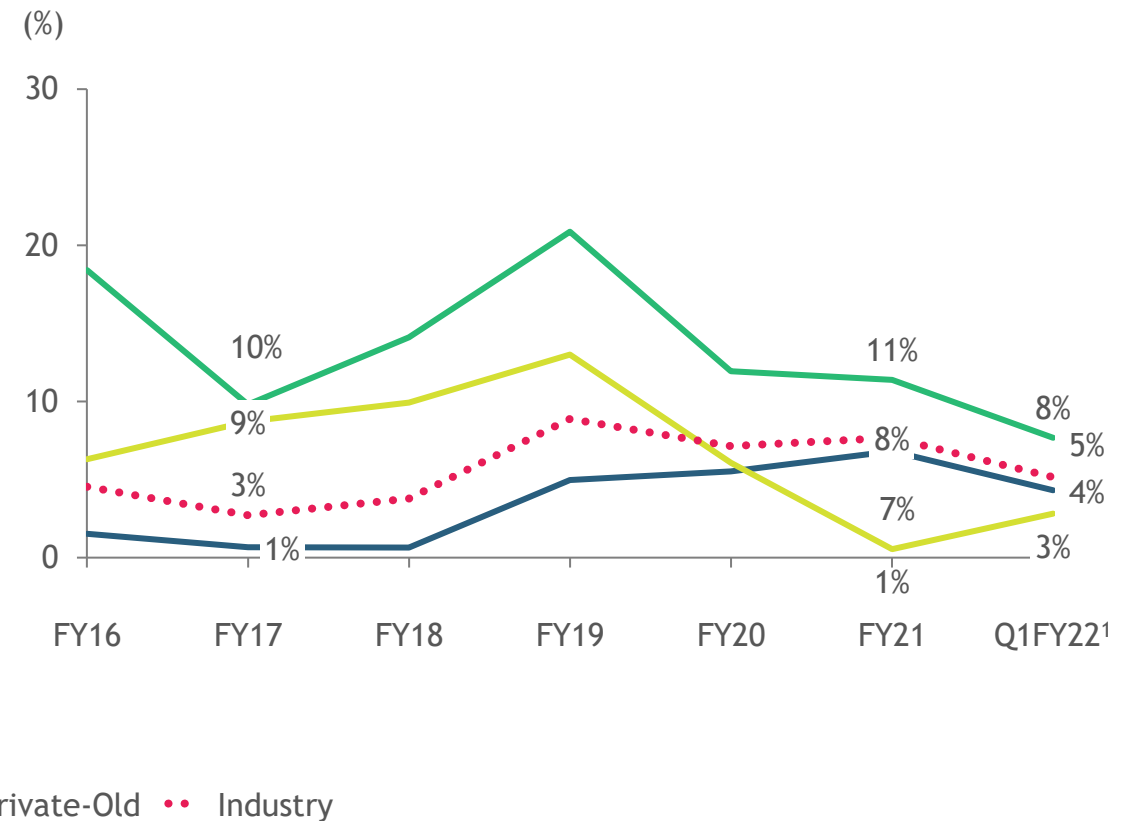
Seasonal slowdown in CASA deposits growth across players

Term deposit growth continues to moderate due to low interest rate environment

CASA Deposits growth YoY by bank category (%)



Term Deposits growth YoY by bank category (%)



1. Growth Q1FY22 over Q1FY21; Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks; 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



Macro Indicators

Business: Advances & Deposits

> Key Performance Indicators

Risk Management & Collections

Valuation

Digital in Banking

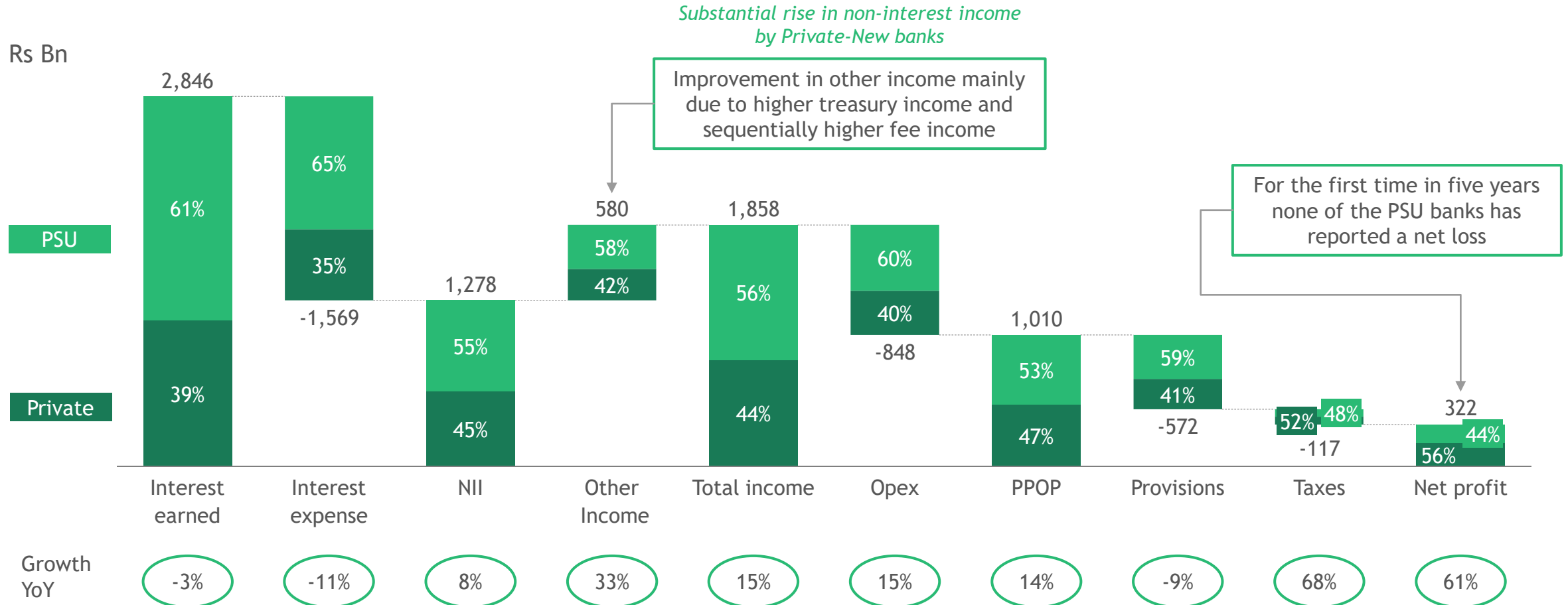
Key Regulatory Measures

Quarterly Player Performance

Outlook for FY22

Massive turnaround in profits by merged banks BoB, PNB, Canara, Union & Indian

Banking sector reported highest quarterly profit in 5 years



Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks;
Source: Capitaline; Press releases; BCG analysis

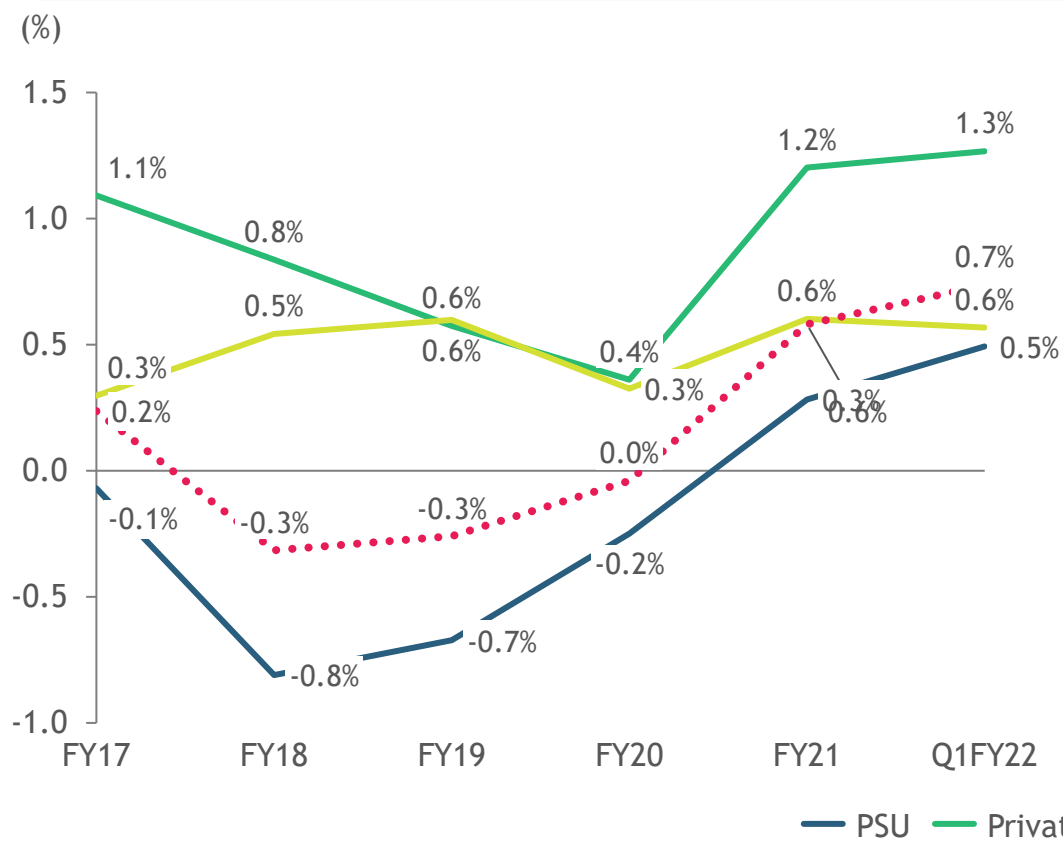
RoA driver tree: Overall pre-provision profit pool at 2.3% of Avg assets

Particulars ¹	UoM	PSU banks		Private banks		Industry		
		Q1FY22	Q1FY21	Q1FY22	Q1FY21	Q1FY22	Q1FY21	
Net interest Margin	(%)	2.5	2.5	3.8	3.8	2.9	3.0	Steady PPOP on account of improved CoF, stable NIMs and higher fee income
Fee + Other Income	(%)	1.2	0.9	1.6	1.4	1.3	1.1	
Operating expenses	(%)	1.8	1.7	2.2	2.0	1.9	1.8	
Pre-Provision Profit²	(%)	1.9	1.7	3.1	3.2	2.3	2.2	
Credit costs	(%)	1.2	1.4	1.5	1.8	1.3	1.6	Higher PAT on the back of lower provisioning across players
Tax	(%)	0.2	0.1	0.4	0.3	0.3	0.2	
Exceptional Items	(%)	0.0	0.1	0.0	0.0	0.0	0.04	
Return on Assets	(%)	0.5	0.2	1.2	1.0	0.7	0.5	PSU banks are on the rise for the second quarter in a row

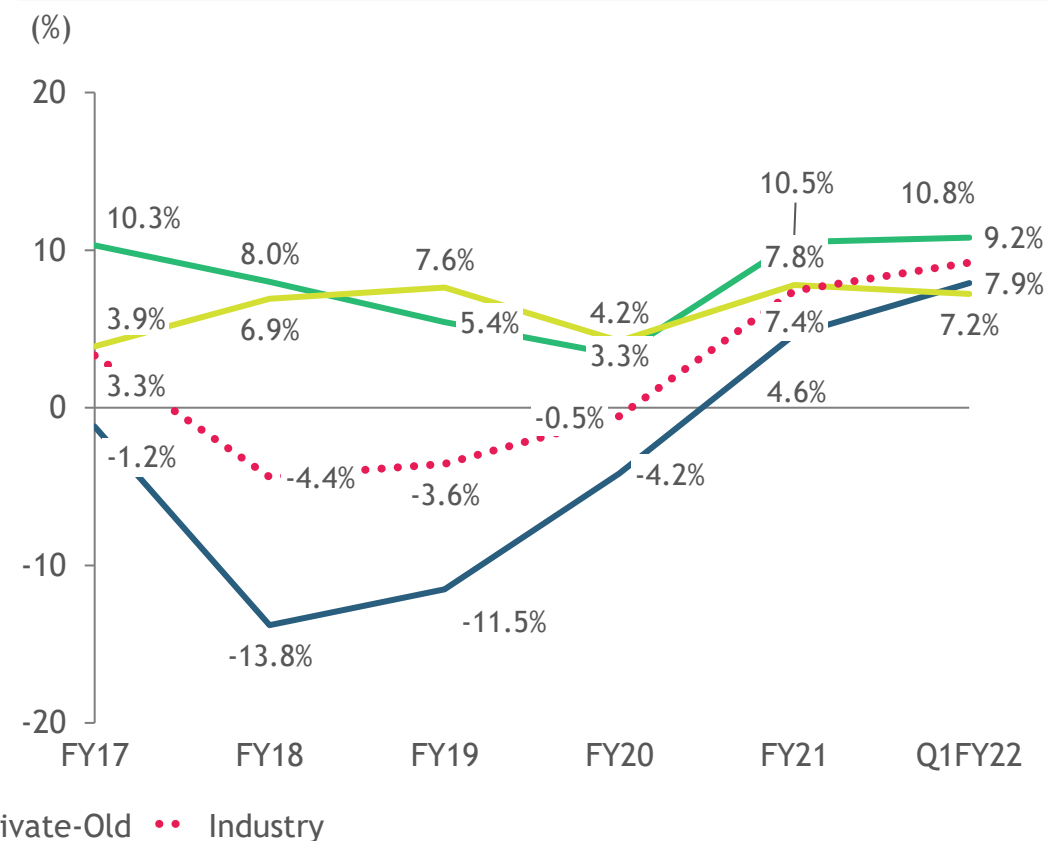
1. All the above #s are as a % of average assets annualized; 2. Pre-provision profit may not tally due to rounding off error
 Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
 Source: Capitaline; Press releases; BCG analysis

Despite second wave, profit momentum has continued to improve

Return on Assets¹ by bank category



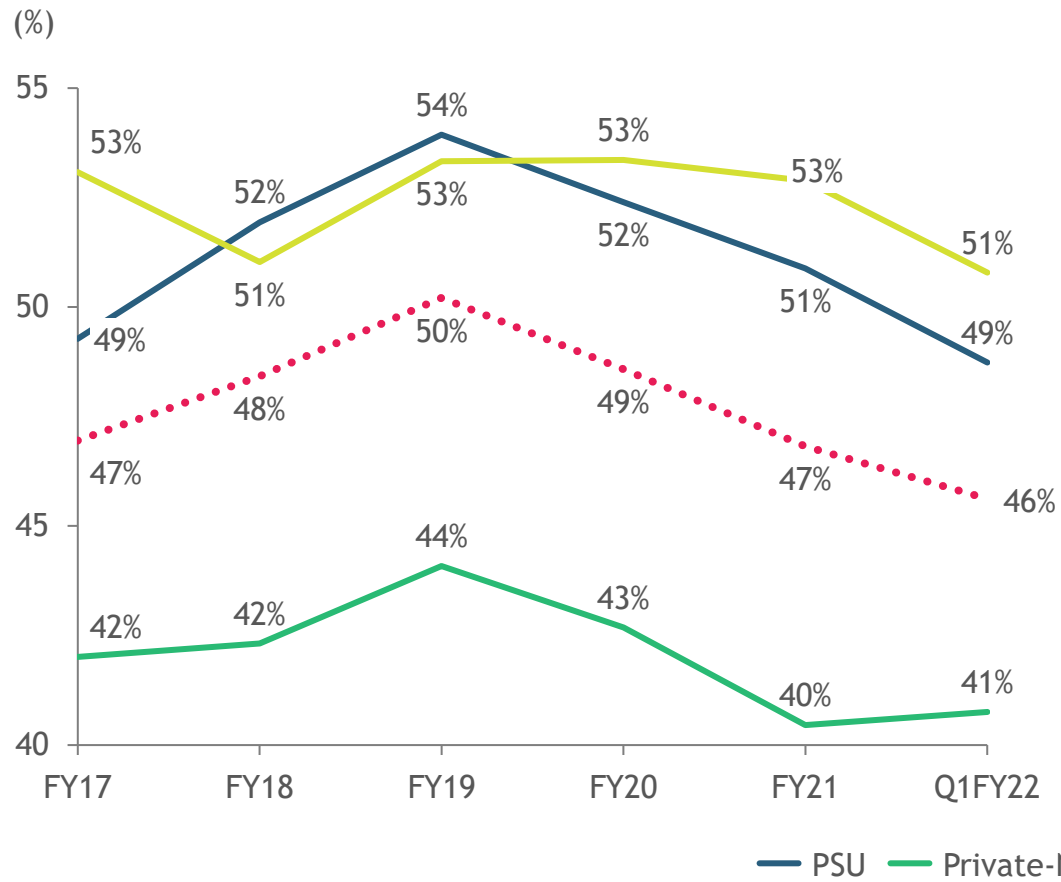
Return on Equity² by bank category



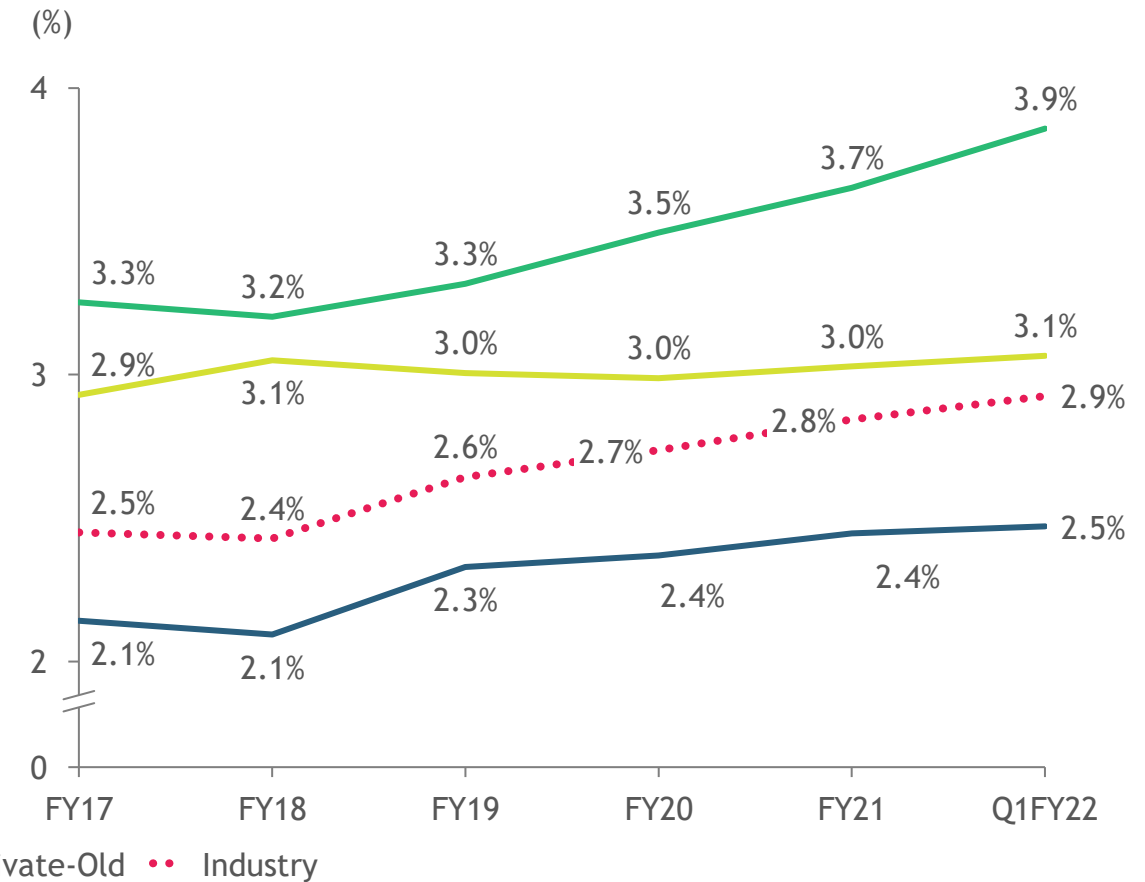
¹Return on Assets is calculated as net profit/average assets annualized ²Return on Equity is calculated as net profit/average shareholders' fund annualized
 Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
 Source: RBI; Capitaline; Press releases; BCG analysis

Private-new banks outperform with lowest CIRs and highest NIMs

Cost to Income Ratio¹ by bank category (%)



Net Interest Margin² by bank category (%)



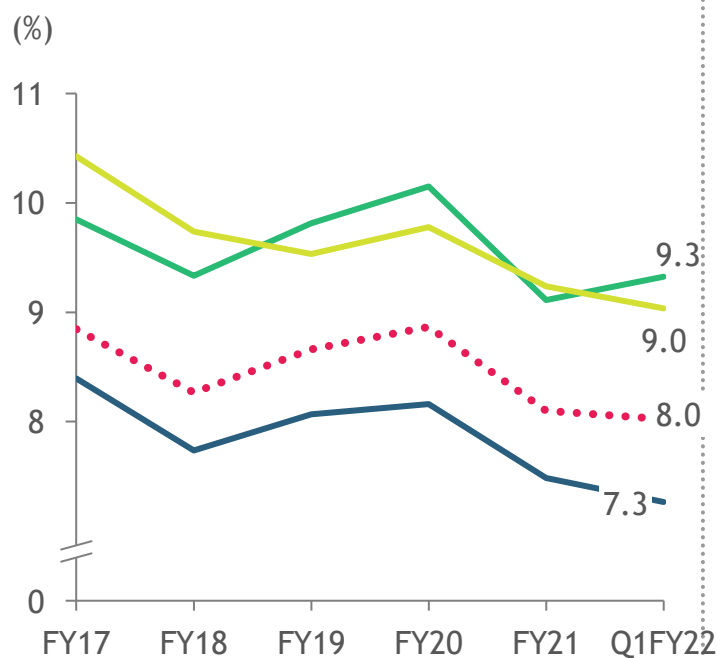
¹Cost to Income is calculated as Operation expense/(net interest income + other income) ²NIM is calculated as (Interest Income - Interest Expense)/Average Assets Annualized

Note: Analysis has been made based 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks

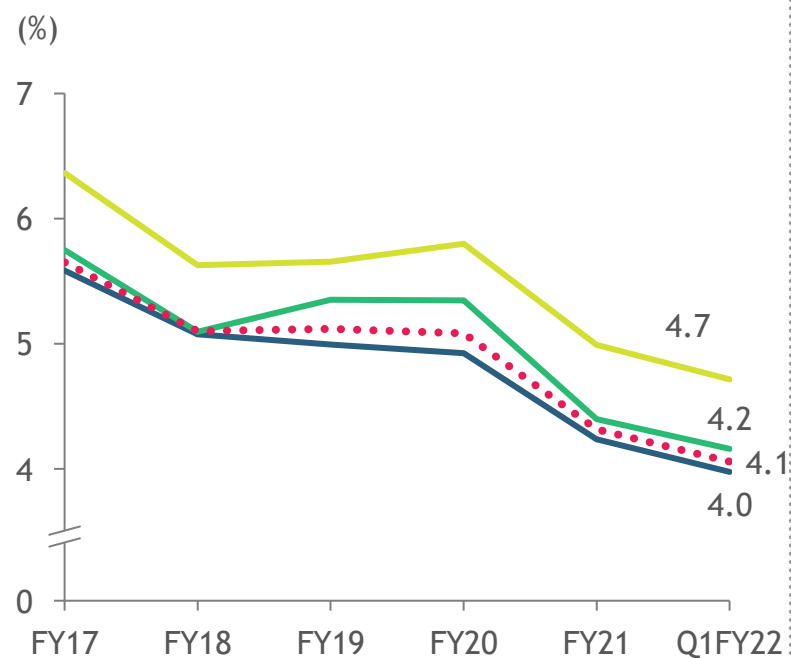
Source: RBI; Capitaline; Press releases; BCG analysis

Interest rates are near multi-year lows and low-interest rates have led cost of funds to decline sharply

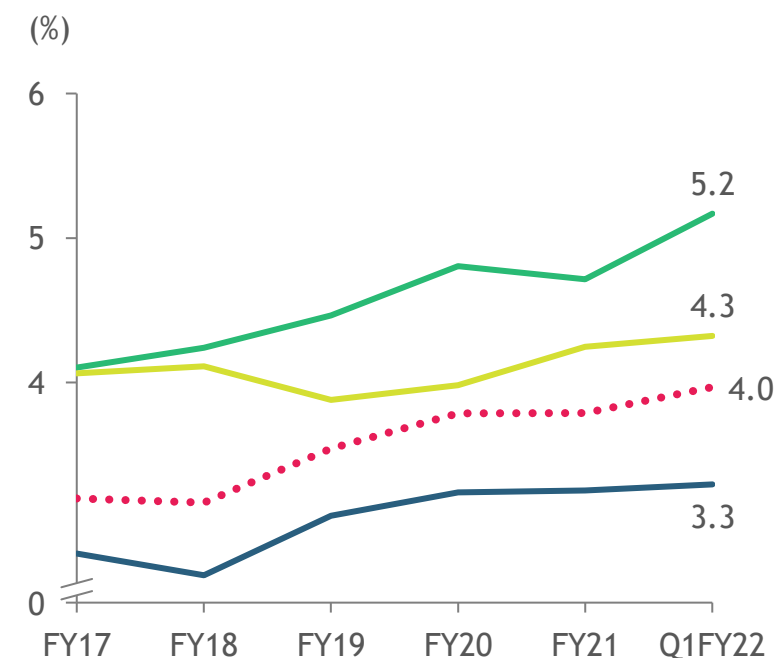
Yield¹ by bank category (%)



Cost of Funds² by bank category (%)



Spread³ by bank category (%)

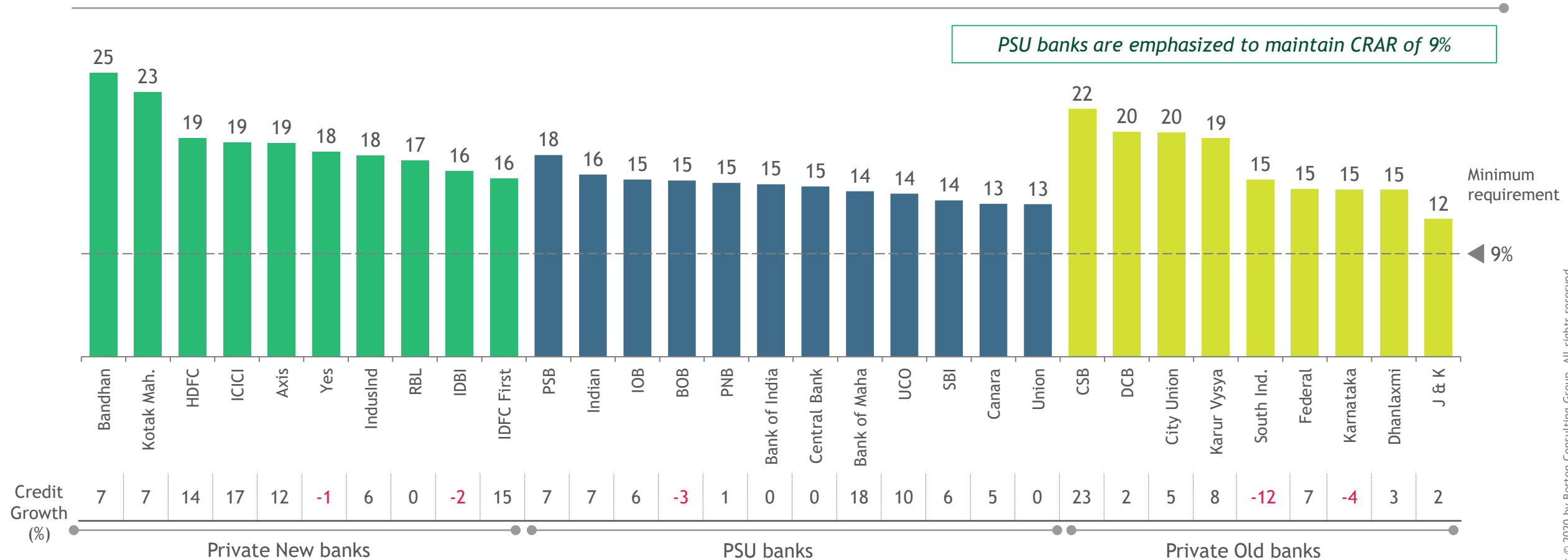


— PSU — Private-New — Private-Old •• Industry

¹Yield is calculated as Interest Earned on Advances/Average Net Advances Annualized ²CoF is calculated as Interest Expended/(Deposits + Borrowings) annualized ³Spread is the difference between yield and CoF; Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
Source: RBI; Capitaline; Press releases; BCG analysis

Comfortable capitalization levels providing adequate buffer for future growth

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



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



Banking sector overview

Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

> NPA and Risk Management

Valuation

Digital in Banking

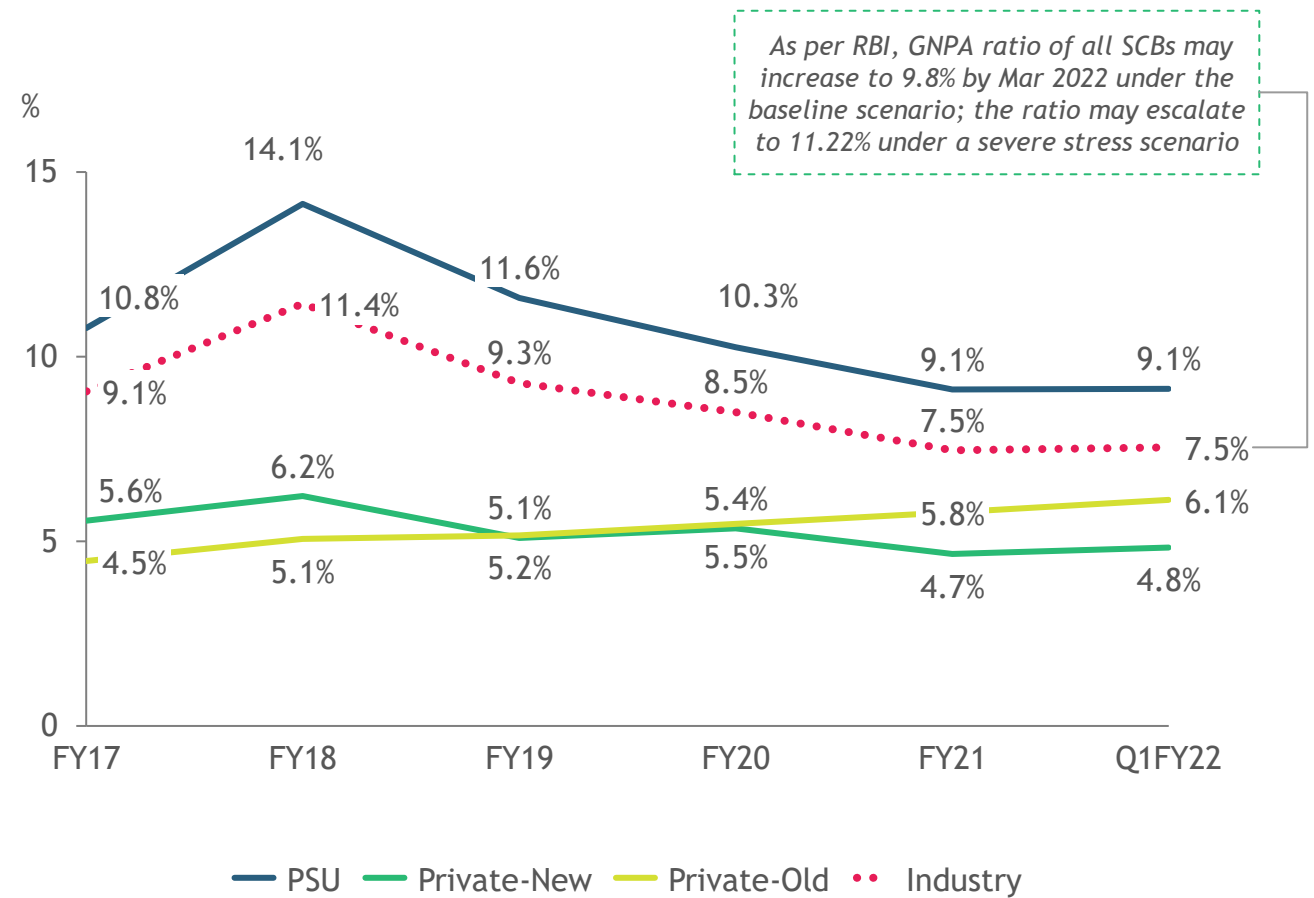
Key Regulatory Measures

Quarterly Player Performance

Outlook for FY22

Asset quality slightly deteriorating for Private banks; however stable NPAs for PSU banks

Gross Non-Performing assets (%)



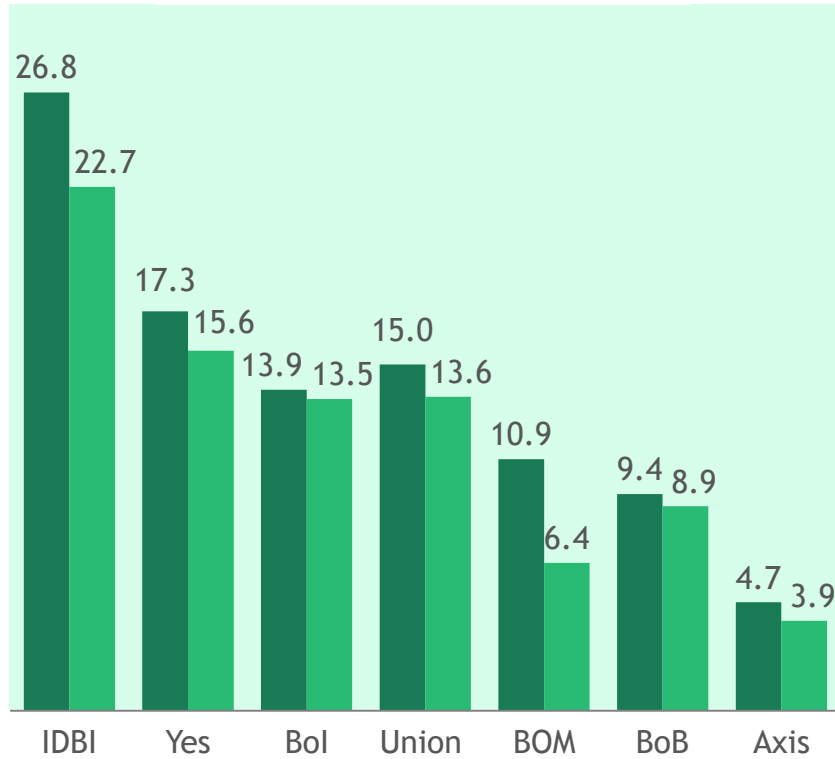
Note: Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks
 Source: RBI; Capitaline; Press releases; BCG analysis

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

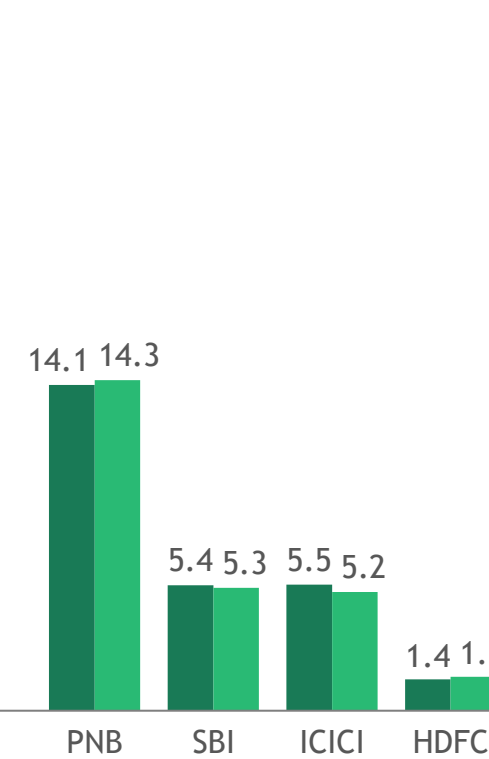
Select Banks

Gross Non-Performing assets (%)

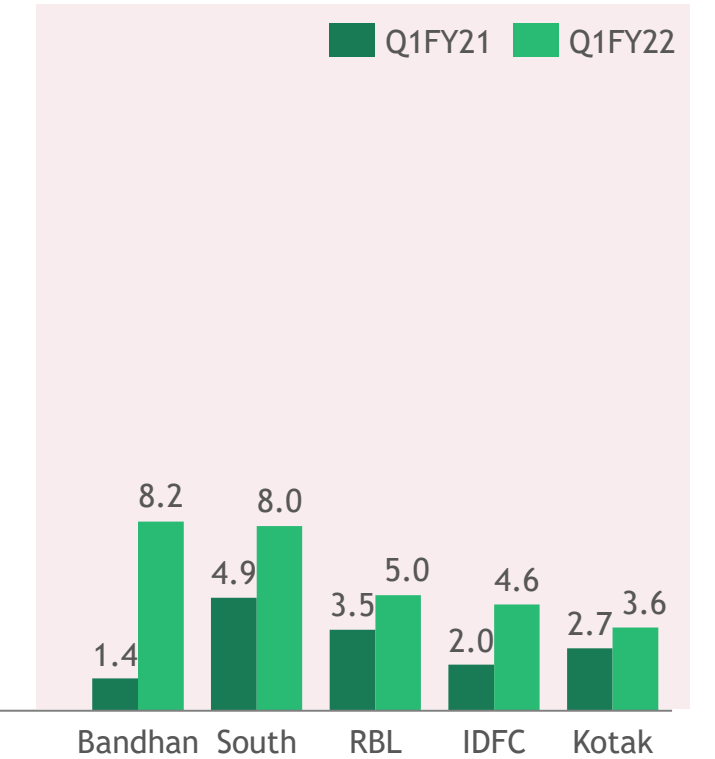
Improvement in asset quality



Broadly unchanged



Deterioration in asset quality



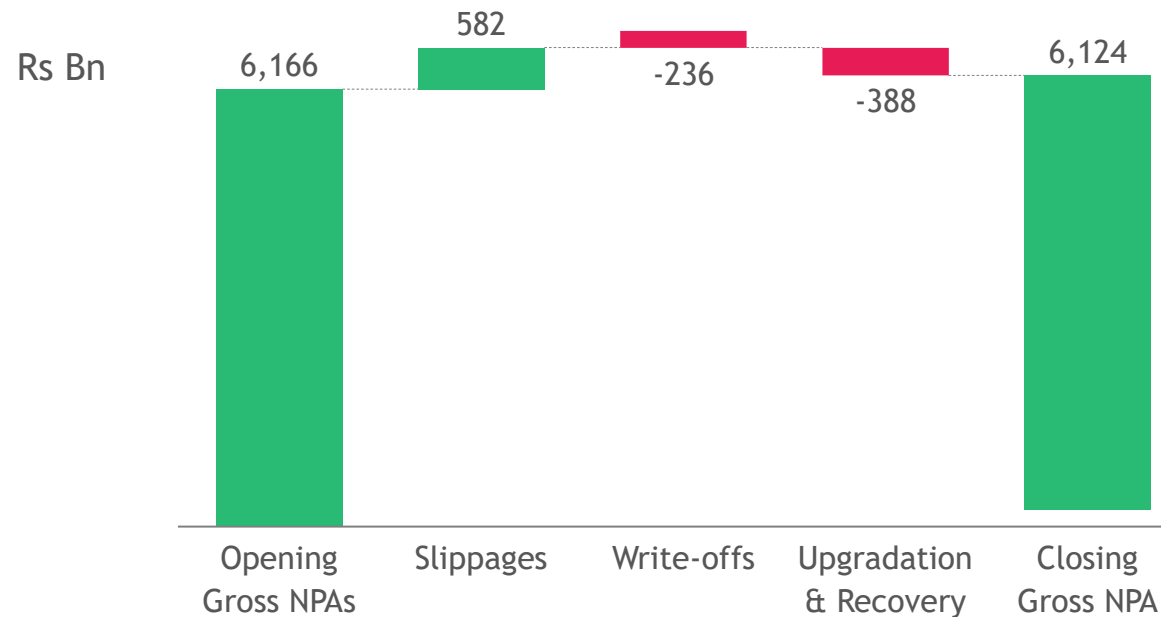
Source: Investor Presentation, Analyst Report BCG Analysis

Fresh accretion to NPAs increases in Q1FY22 post onset of second Covid wave

While PSBs saw a decline in overall NPAs; Pvt Banks saw a marginal inch up in overall NPAs

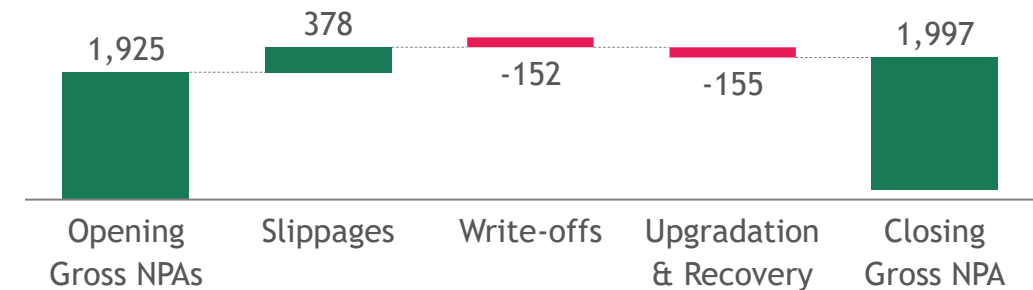
Movement of NPAs - Q1FY22

Public Sector Banks



Private Sector Banks

Slippages higher YoY and lower QoQ across banks, due to moratorium benefit available in Q1FY21 leading to low absolute slippages whereas Q4FY21 saw SC verdict effect with high absolute slippages



YoY Growth
(Q1FY22 over Q1FY21)



QoQ Growth
(Q1FY22 over Q4FY21)



Analysis has been made based on 31 Banks: 12 PSU, 10 Private-New and 9 Private-Old Banks;
Source: Capitaline; Press releases; BCG analysis

Lower than expected restructuring under OTR 1.0



Resolution Framework 1.0 for Covid related stress, announced on August 6, 2020 to be invoked by December 31, 2020



Applicable to corporate, MSMEs and retail borrowers



Lower than expected applications for restructuring given other relief measures available - six-month blanket moratorium



Resistance from borrowers as had to be classified as 'restructured asset' compared to no such provision under availing moratorium

OTR 2.0 to help alleviate stress in MSME and retail segments



Extension of resolution framework post the onset of second wave of Covid till September 30, 2021



Applicable to only retail and MSMEs borrowers who have not availed restructuring under OTR 1.0



High applications seen in OTR 2.0, given no other relief measures available this time around

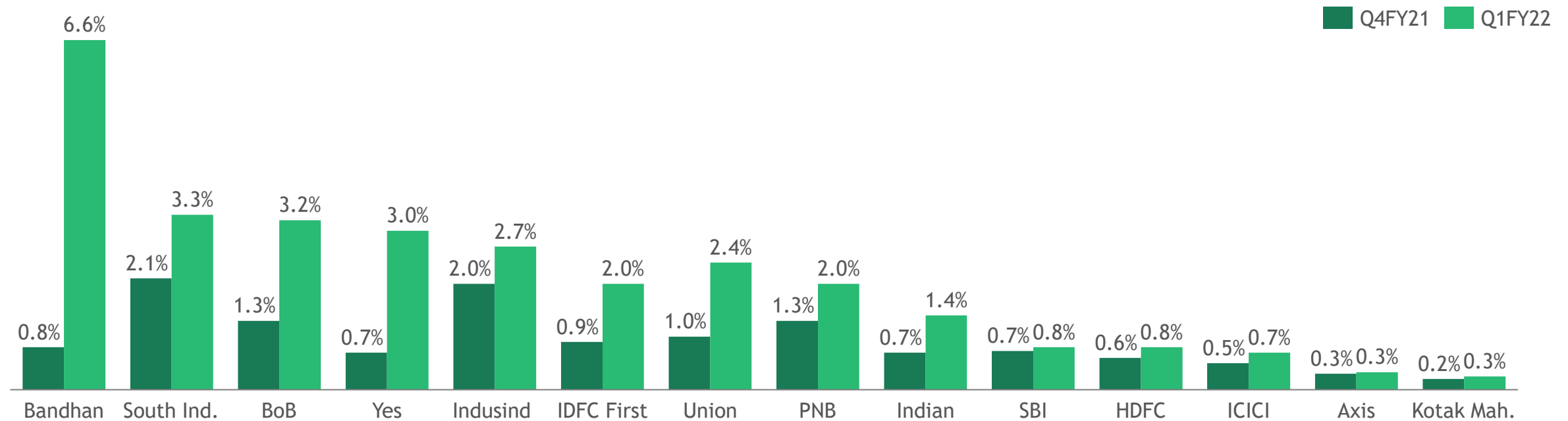


Retail segments like unsecured retail, MFI, CV saw high restructuring till Q1FY22

Increase in covid restructuring post the onset of the second wave in Q1FY22

Sequential increase across banks, primarily in retail and MSME segments

Covid related restructuring as % of gross advances (%) Select Banks

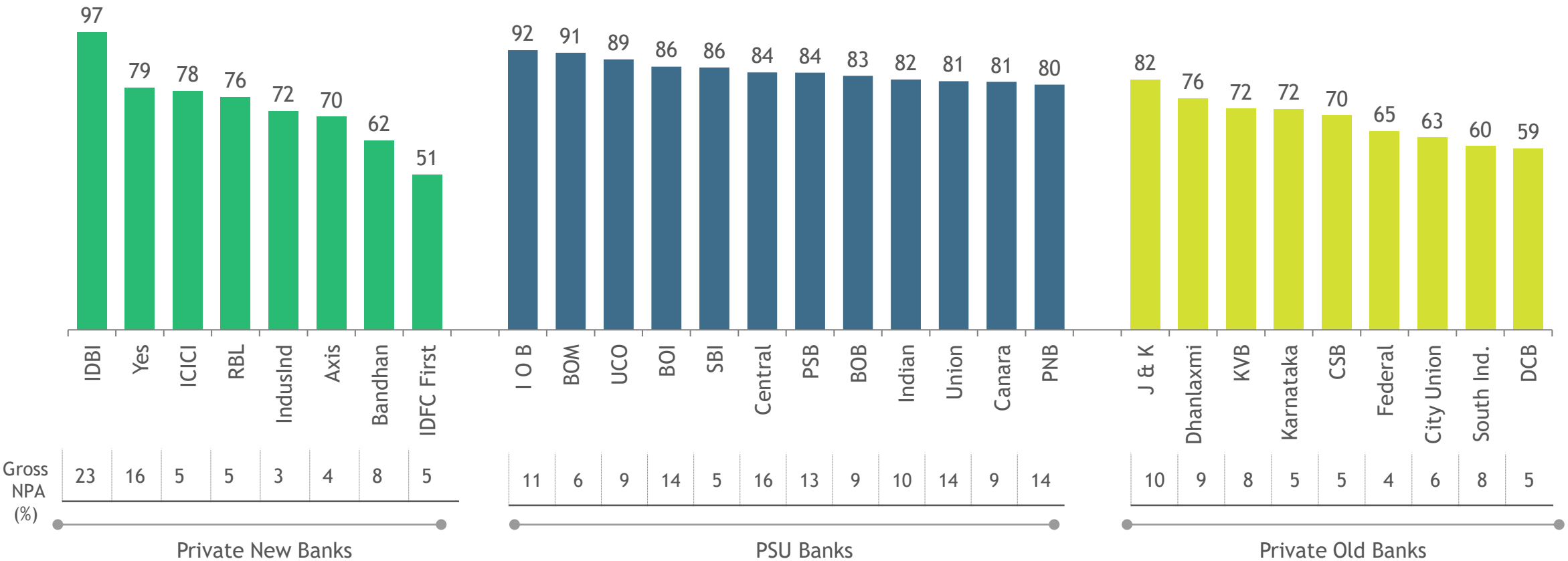


Overall Covid related restructured assets for the banking sector stood at Rs 1.37 lakh crore as of June'21, of which 70% and 30%, restructured by PSBs & Private Banks respectively.

Healthy coverage against NPAs across banks

Provision coverage ratio¹ (%) (Jun'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



Banking sector overview

Macro Indicators

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Outlook for FY22

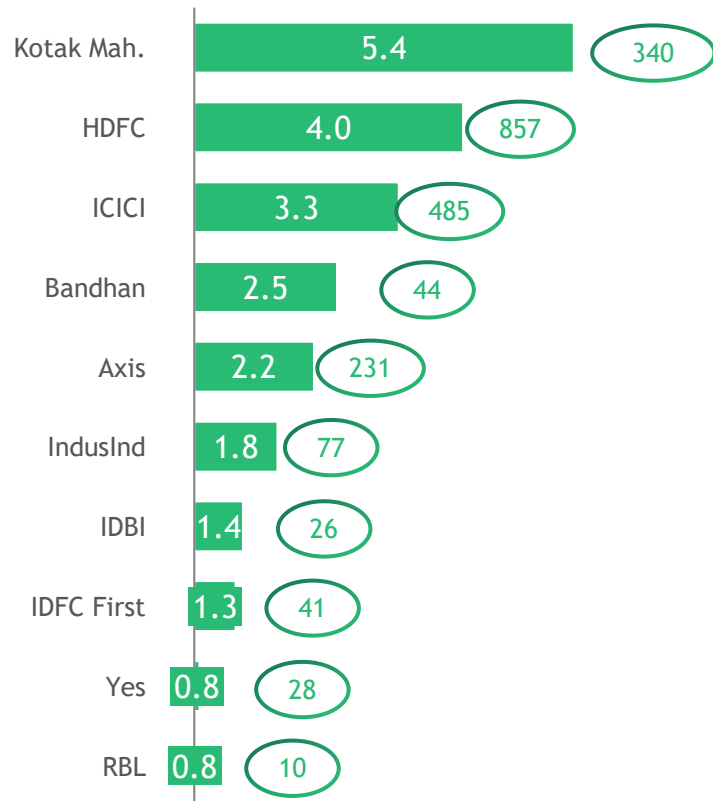
HDFC bank contributes to ~30% market share in MCap

12 PSU banks combined attributes to ~22%

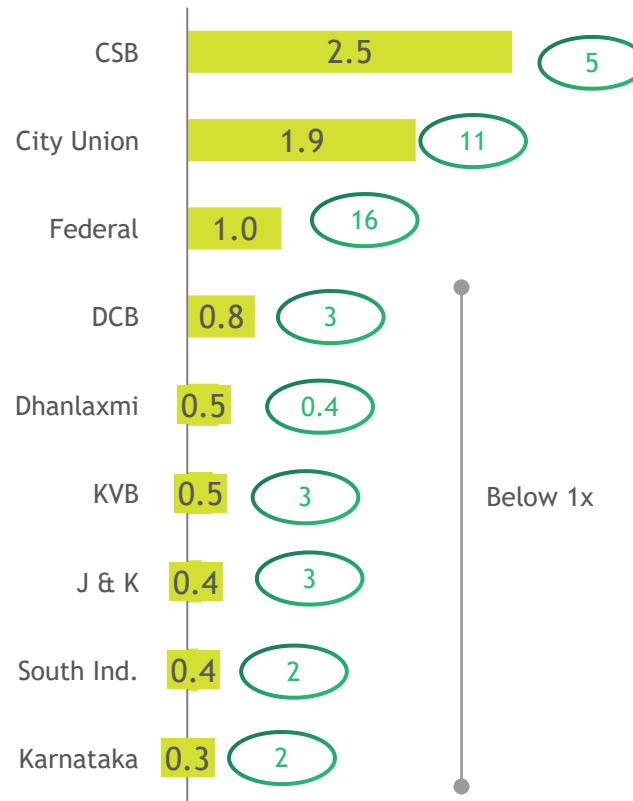
Price to book ratio (As on 27th August 2021)

Select Banks

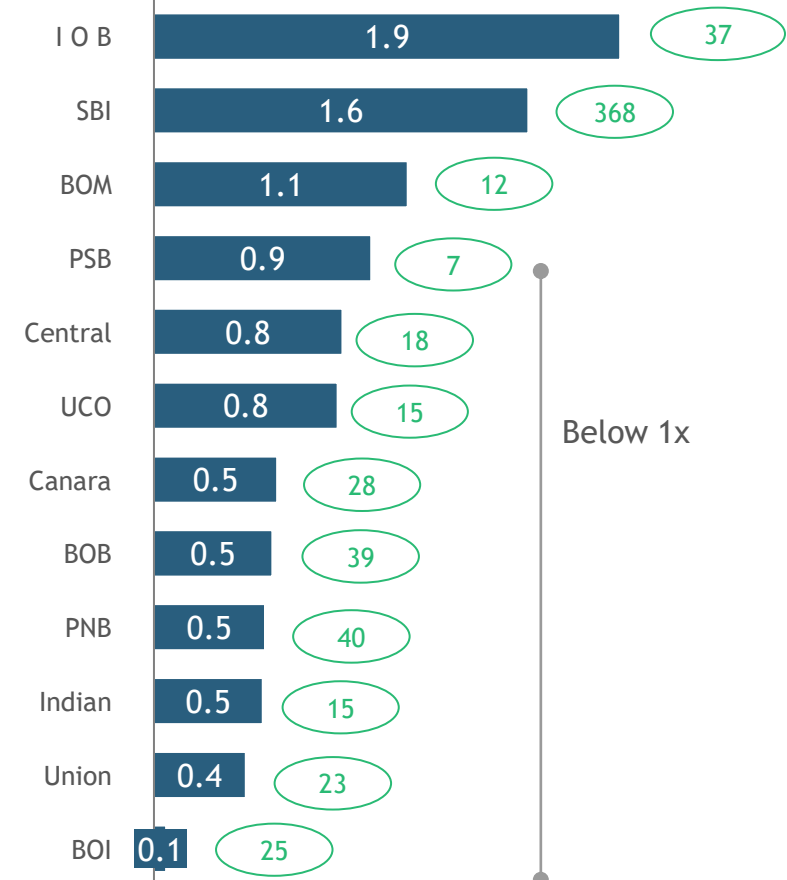
Private New banks



Private Old banks



PSU banks



○ Market Cap (INR in '000 crores)
(as on 27th August 2021)



Banking sector overview

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Key Regulatory Measures




Quarterly Player Performance

Outlook for FY22

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

Select Banks

As on 30th June 2021

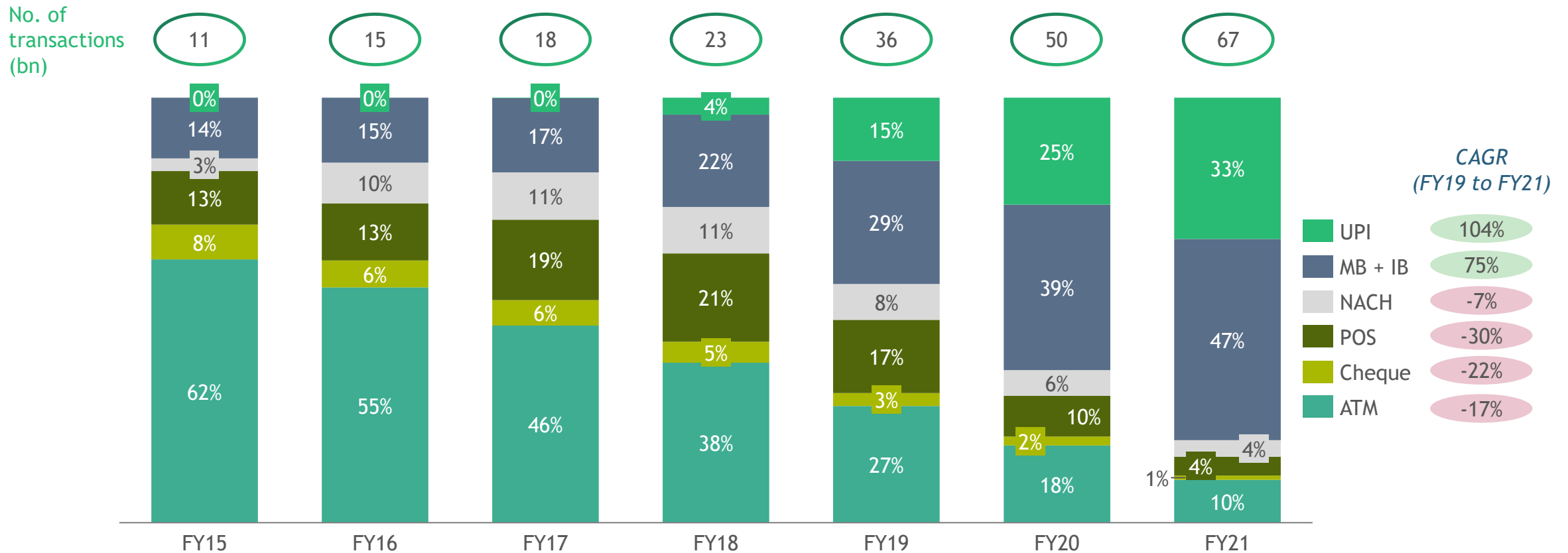
	 AXIS BANK	IndusInd Bank	 ICICI Bank	 SBI
Saving Account sourced digitally	67% ↓ 400 bps	96% ↓ 100 bps	NA	72% ↑ 400 bps
FD sourced digitally	69% ↓ 200 bps	93% Same	60% ↑ 400 bps	NA
SIPs initiated digitally	57% Same	NA	60% ↓ 400 bps	NA
Credit Card issued digitally	74% Same	50% ↑ 1300 bps	70% ¹ ↓ 500 bps	NA
Personal Loans sourced digitally	60% ↑ 300 bps	45% ↑ 600 bps	96% ¹ ↑ 600 bps	1.46L PAPL
YoY growth in Volume of MB Transaction ¹	94%	2.7x times ³	3x times	NA

↑ ↓ Q-o-Q changes

1. 47% digitally processed and physically assisted and 23% fully self-serviced 2. 50% digitally processed and physically assisted and 46% fully self-serviced 3. Average monthly mobile banking transactions grew 2.7X YoY (Q1FY22 over Q1FY21)
 Source: NPCI, Investor presentations; Analyst reports; BCG analysis

FY21: ~80% transactions are now digital; huge jump from 64% in FY20

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 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



Banking sector overview

Macro Indicators

Business: Advances & Deposits

Key Performance Indicators

NPA and Risk Management

Valuation

Digital in Banking

> Key Regulatory Measures

Quarterly Player Performance

Outlook for FY22



Key Recent Regulatory Measures



Resolution Framework 2.0

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



On Tap TLTRO

Tap TLTRO Scheme further **extended** by a period of three months i.e., up to December 31, 2021



Setting up Secondary Loan Market Association

To facilitate and standardize sale and purchase of specific loans and boosting secondary trading market



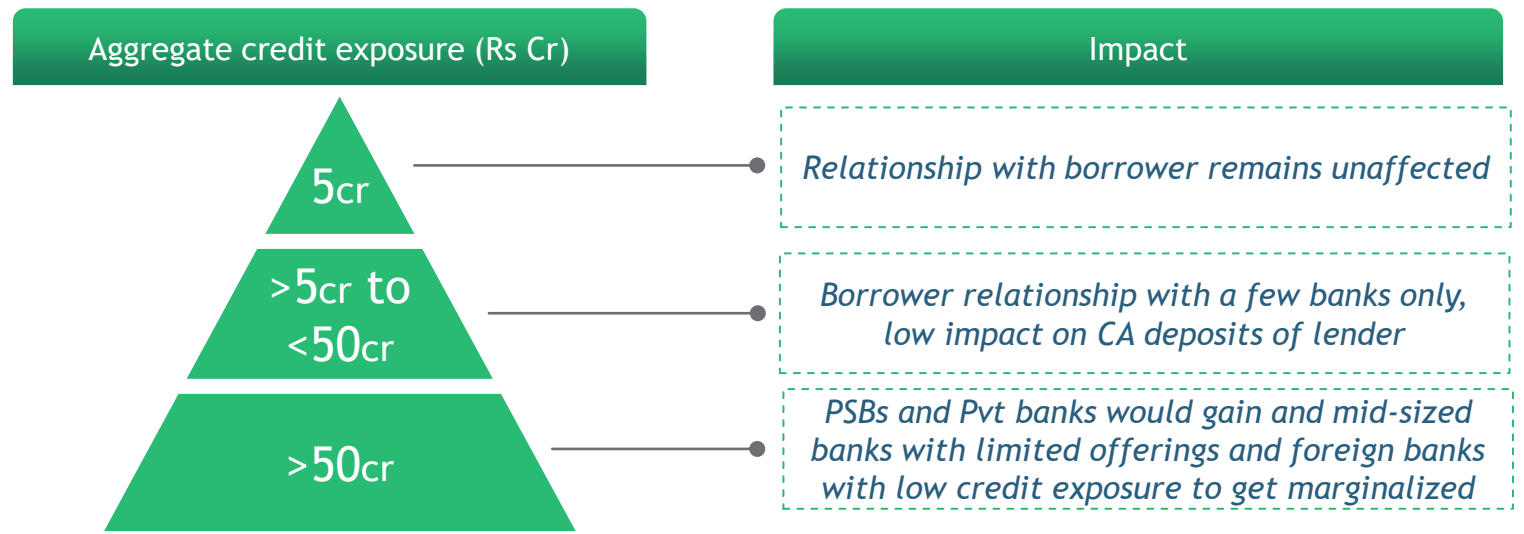
Credit to MSME Entrepreneurs

For enhancing credit to new MSMEs, banks allowed to deduct credit disbursed amount from their NDTL for calculation of CRR. The facility has been extended by a period of three months i.e., up to December 31, 2021

New current account circular to re-align CA deposits across players

Streamline use of multiple accounts of borrowers with CA deposits to consolidate with leading players having >10% of total exposure borrower,

Relative losers could be smaller players with singular edge (payments, cash management, etc) without relevant lending facility would tend to lose out. Especially in the SME/ Mid corporate space; where PSBs have higher lending exposure, but CA exposures is with private banks/foreign banks;



Source: RBI; Capitaline; Press releases; ICRA, BCG analysis



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➤ Quarterly Player Performance

Outlook for FY22













Quarterly player performance (I/III)

	Period	Net Advances Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ¹ (%)	CIR ² (%)	GNPA (%)	ROA ¹ (%)	
Private new banks	HDFC BANK	Q1FY '22	11.5L ▲14%	13.5L ▲13%	45% ▲532 bps	4.1% ▼33 bps	35% ▲2 bps	1.5% ▲11 bps	1.9% ▼2 bps
		Q1FY '21	10.0L	11.9L	40%	4.5%	35%	1.4%	1.9%
	ICICI Bank	Q1FY '22	7.4L ▲17%	9.3L ▲16%	46% ▲341 bps	3.7% ▲18 bps	40% ▲1031 bps	5.2% ▼31 bps	1.6% ▲58 bps
		Q1FY '21	6.3L	8.0L	42%	3.5%	30%	5.5%	1.0%
	AXIS BANK	Q1FY '22	6.1L ▲12%	7.1L ▲16%	42% ▲300 bps	3.3% ▼9 bps	43% ▲452 bps	3.9% ▼87 bps	0.9% ▲37 bps
		Q1FY '21	5.5L	6.2L	39%	3.4%	39%	4.7%	0.5%
	Kotak <small>Kotak Mahindra Bank</small>	Q1FY '22	2.2L ▲7%	2.9L ▲10%	60% ▲345 bps	4.1% ▼22 bps	44% ▲185 bps	3.6% ▲86 bps	1.7% ▲26 bps
		Q1FY '21	2.0L	2.6L	57%	4.3%	42%	2.7%	1.4%
	IndusInd Bank	Q1FY '22	2.1L ▲6%	2.7L ▲26%	42% ▲206 bps	4.1% ▼21 bps	41% ▲69 bps	2.9% ▲35 bps	1.1% ▲53 bps
		Q1FY '21	2.0L	2.1L	40%	4.3%	41%	2.5%	0.6%
	IDBI BANK	Q1FY '22	1.2L ▼2%	2.2L ▲1%	52% ▲489 bps	3.4% ▲102 bps	33% ▼1923 bps	22.7% ▼410 bps	0.8% ▲62 bps
		Q1FY '21	1.3L	2.2L	48%	2.3%	52%	26.8%	0.2%
	YES BANK	Q1FY '22	1.6L ▼1%	1.6L ▲39%	27% ▲159 bps	2.1% ▼31 bps	63% ▲792 bps	15.6% ▼170 bps	0.3% ▲26 bps
		Q1FY '21	1.6L	1.2L	26%	2.4%	55%	17.3%	0.1%
IDFC FIRST Bank	Q1FY '22	1.0L ▲15%	0.9L ▲31%	51% ▲1722 bps	5.5% ▲110 bps	67% ▲700 bps	4.6% ▲262 bps	-1.6% ▼181 bps	
	Q1FY '21	0.9L	0.7L	34%	4.4%	60%	2.0%	0.2%	
Bandhan Bank	Q1FY '22	0.7L ▲7%	0.8L ▲28%	43% ▲585 bps	8.1% ▼115 bps	29% ▲138 bps	8.2% ▲675 bps	1.4% ▼139 bps	
	Q1FY '21	0.7L	0.6L	37%	9.3%	28%	1.4%	2.8%	
RBL BANK	Q1FY '22	0.6L ▼0.3%	0.7L ▲21%	34% ▲359 bps	4.0% ▼70 bps	51% ▲166 bps	5.0% ▲154 bps	-1.9% ▼255 bps	
	Q1FY '21	0.6L	0.6L	30%	4.7%	50%	3.5%	0.6%	

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)
Source: RBI; Capitaline; Press releases; BCG analysis

Quarterly player performance (II/III)

	Period	Net Advances Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ¹ (%)	CIR ² (%)	GNPA (%)	ROA ¹ (%)	
PSU banks	 SBI	Q1FY '22	24.3L ▲6%	37.2L ▲9%	46% ▲63 bps	2.5% ▼22 bps	52% ▼36 bps	5.3% ▼12 bps	0.6% ▲16 bps
		Q1FY '21	23.0L	34.2L	45%	2.8%	52%	5.4%	0.4%
	 PNB	Q1FY '22	6.6L ▲1%	11.0L ▲2%	44% ▲216 bps	2.3% ▲9 bps	44% ▼577 bps	14.3% ▲22 bps	0.3% ▲23 bps
	 Oriental Bank	Q1FY '21	6.6L	10.7L	42%	2.2%	49%	14.1%	0.1%
	 Canara Bank	Q1FY '22	6.5L ▲5%	10.2L ▲12%	34% ▲40 bps	2.2% ▼15 bps	46% ▼533 bps	8.5% ▼34 bps	0.4% ▲27 bps
		Q1FY '21	6.2L	9.1L	34%	2.4%	51%	8.8%	0.2%
	 Bank of Baroda	Q1FY '22	6.7L ▼3%	9.3L ▼0%	43% ▲373 bps	2.8% ▲32 bps	47% ▼252 bps	8.9% ▼53 bps	0.4% ▲74 bps
		Q1FY '21	6.9L	9.3L	39%	2.5%	50%	9.4%	-0.3%
	 Union Bank	Q1FY '22	5.8L ▲0.5%	9.1L ▲2%	36% ▲309 bps	2.6% ▲11 bps	47% ▼220 bps	13.6% ▼135 bps	0.4% ▲31 bps
	 Bank of India	Q1FY '22	3.7L ▼0%	6.2L ▲5%	38% ▲302 bps	1.8% ▼37 bps	49% ▲400 bps	13.5% ▼40 bps	0.4% ▼11 bps
		Q1FY '21	3.7L	6.0L	35%	2.2%	45%	13.9%	0.5%
	 Indian Bank	Q1FY '22	3.6L ▲7%	5.4L ▲10%	41% ▼63 bps	2.7% ▼15 bps	41% ▼620 bps	9.7% ▼121 bps	0.8% ▲52 bps
		Q1FY '21	3.4L	4.9L	42%	2.8%	47%	10.9%	0.3%
	 Central Bank of India	Q1FY '22	1.6L ▲0%	3.3L ▲3%	49% ▲223 bps	2.3% ▼15 bps	59% ▲460 bps	15.9% ▼218 bps	0.2% ▲7 bps
		Q1FY '21	1.5L	3.2L	47%	2.5%	55%	18.1%	0.2%
	 Indian Overseas Bank	Q1FY '22	1.3L ▲6%	2.4L ▲8%	42% ▲61 bps	2.2% ▲2 bps	54% ▲24 bps	11.5% ▼242 bps	0.5% ▲29 bps
		Q1FY '21	1.2L	2.3L	41%	2.2%	53%	13.9%	0.2%
	 UCO BANK	Q1FY '22	1.1L ▲10%	2.1L ▲9%	39% ▼157 bps	2.4% ▲20 bps	47% ▼506 bps	9.4% ▼501 bps	0.2% ▲13 bps
	Q1FY '21	1.0L	2.0L	40%	2.2%	52%	14.4%	0.0%	
 Bank of Maharashtra	Q1FY '22	1.1L ▲18%	1.7L ▲14%	53% ▲348 bps	2.9% ▲37 bps	47% ▼420 bps	6.4% ▼458 bps	0.4% ▲20 bps	
	Q1FY '21	0.9L	1.5L	50%	2.6%	51%	10.9%	0.2%	

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)
2. Source: RBI; Capitaline; Press releases; BCG analysis

Quarterly player performance (III/III)

	Period	Net Advances Rs Cr	Deposits Rs Cr	CASA Ratio (%)	NIM ¹ (%)	CIR ² (%)	GNPA (%)	ROA ¹ (%)	
Private old banks	Punjab & Sind Bank	Q1FY '22	0.6L ▲7%	1.0L ▲16%	31% ▼35 bps	2.2% ▲8 bps	56% ▼1160 bps	13.3% ▼101 bps	0.7% ▲113 bps
		Q1FY '21	0.6L	0.9L	32%	2.1%	67%	14.3%	-0.5%
	FEDERAL BANK YOUR PERFECT BANKING PARTNER	Q1FY '22	1.3L ▲7%	1.7L ▲9%	35% ▲278 bps	2.9% ▼6 bps	45% ▼264 bps	3.5% ▲54 bps	0.8% ▼16 bps
		Q1FY '21	1.2L	1.5L	32%	3.0%	48%	3.0%	0.9%
	J&K Bank	Q1FY '22	0.7L ▲2%	1.1L ▲6%	56% ▲226 bps	3.4% ▼3 bps	67% ▼120 bps	9.7% ▼104 bps	0.4% ▲34 bps
		Q1FY '21	0.7L	1.0L	54%	3.4%	68%	10.7%	0.0%
	SOUTH INDIAN Bank	Q1FY '22	0.6L ▼12%	0.8L ▲3%	30% ▲351 bps	2.3% ▼20 bps	49% ▼516 bps	8.0% ▲309 bps	0.0% ▼30 bps
		Q1FY '21	0.6L	0.8L	27%	2.5%	54%	4.9%	0.3%
	Karnataka Bank	Q1FY '22	0.5L ▼4%	0.8L ▲6%	31% ▲216 bps	2.7% ▲7 bps	49% ▲1314 bps	4.8% ▲18 bps	0.5% ▼47 bps
		Q1FY '21	0.5L	0.7L	29%	2.6%	36%	4.6%	1.0%
	KVB Karur Vysya Bank Smart way to bank	Q1FY '22	0.5L ▲8%	0.6L ▲7%	35% ▲185 bps	3.6% ▲38 bps	50% ▲395 bps	8.0% ▼37 bps	0.6% ▲1 bps
		Q1FY '21	0.5L	0.6L	33%	3.2%	46%	8.3%	0.6%
	CITY UNION BANK CUB	Q1FY '22	0.4L ▲5%	0.4L ▲9%	28% ▲296 bps	3.5% ▲87 bps	40% ▲4 bps	5.6% ▲169 bps	1.4% ▲43 bps
		Q1FY '21	0.3L	0.4L	25%	2.6%	40%	3.9%	0.9%
	DCB BANK	Q1FY '22	0.3L ▲2%	0.3L ▲4%	22% ▼24 bps	3.1% ▼15 bps	53% ▲283 bps	4.9% ▲243 bps	0.3% ▼51 bps
		Q1FY '21	0.3L	0.3L	22%	3.3%	50%	2.4%	0.9%
CSB Bank Formerly The Catholic Syrian Bank Ltd.	Q1FY '22	0.1L ▲23%	0.2L ▲14%	33% ▲386 bps	5.0% ▲103 bps	48% ▼252 bps	4.9% ▲137 bps	1.1% ▼1 bps	
	Q1FY '21	0.1L	0.2L	29%	3.9%	50%	3.5%	1.1%	
DhanlaxmiBank established 1927	Q1FY '22	0.1L ▲3%	0.1L ▲5%	33% ▲305 bps	2.5% ▼11 bps	91% ▲2677 bps	9.3% ▲238 bps	0.2% ▲1 bps	
	Q1FY '21	0.1L	0.1L	30%	2.6%	64%	6.9%	0.2%	

xxx Change vs. last year

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Source: RBI; Capitaline; Press releases; BCG analysis



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Digital in Banking

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> Outlook for FY22

Stage set for a normalized FY22



Macro: Low interest rate environment to continue, CPI inflation to remain low at ~5.7%, expect RBI to keep the repo rate unchanged in FY22; RBI forecasts **GDP to grow at only 9.5% in FY22** supported by strong external demand thereby increasing exports



Retail credit to drive overall credit growth: Pent up demand along with benign interest rate environment to boost retail credit, corporate demand to remain muted; deposit growth to outpace credit growth as banks continue to be risk averse



Slippages/GNPAs to inch up from current levels: Stress in MSME and retail segments to continue post the onset of second wave of Covid, slippages from restructured book to be a monitorable; GNPA ratio of all SCBs may increase to 9.8% by March 2022 under the baseline scenario



Digital: Focus to leverage on digitizing products with minimal human intervention in post Covid era; partnerships with technology players such as PhonePe, Google, Paytm to promote digital services



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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