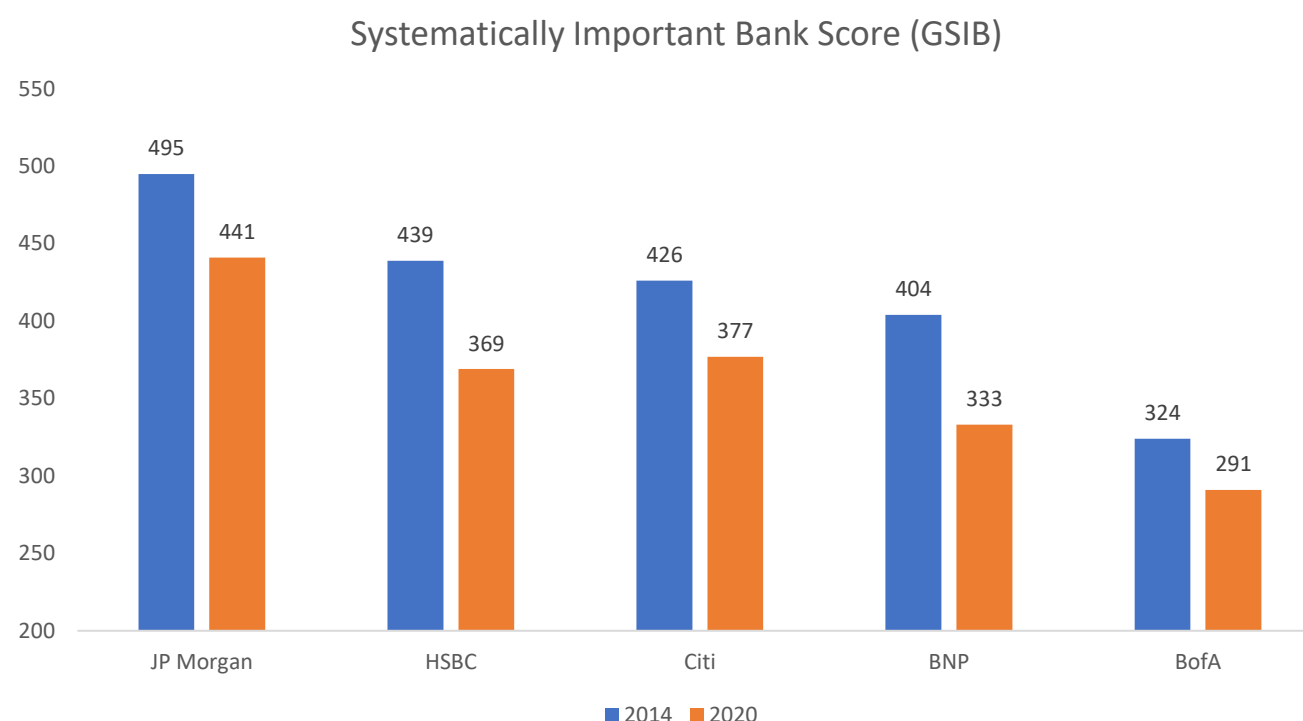


Global Banking Trends:

1. Moderation in systematic importance of major global banks (positive)



- a. As per BASEL III norms, banks are categorised as systematically important to the global financial system based on their GSIB score. Higher the score, higher is the interdependence and riskiness of the bank. Since 2014, major banks have moderated their interdependencies and reduced their GSIB scores. This is a positive trend to ensure better global financial stability.

2. Among top 100 banks (by Tier 1 cap) in 2020:

- a. 19 were in China (same as in 2019)
- b. 12 in USA (lower than 2019)
- c. 7 in Japan (same as in 2019)
- d. 3 in India (higher than in 2019)

Indian Banking Trends:

1. RBI's accommodative stance have culminated in a massive pool of market liquidity.
 - a. RBI injected Rs 3.13 Lakh crores (OMOs) in FY21 and Rs 2.29 Lakh crores in FY22 (YTD).
 - b. Net Liquidity absorption through LAF was Rs 4.5 lakh Crore (daily avg) in FY21 and Rs 6.69 Lakh crore in FY22 (YTD).
2. Financial trends among lending institutions:

| | PSB | | PVB | | FB | | SFB | | PB | | NBFC | | HFC | |
|--|------|------|------|------|------|------|------|------|------|-------|------|------|------|------|
| | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 | FY21 |
| Public Deposits (Rs Lakh Cr) | 90.5 | 99 | 41.6 | 48 | 6.8 | 7.8 | 0.8 | 1.1 | 0.01 | 0.025 | 0.5 | 0.6 | 1.2 | 1.3 |
| Loans and Advances | 61.6 | 63.5 | 36.2 | 39.4 | 4.3 | 4.2 | 0.9 | 1.1 | NA | NA | 24.6 | 27 | 11.8 | 12.8 |
| Loan duration >3yrs (% of total loans) | 34.0 | 38.4 | 34.1 | 33.7 | 19.2 | 21.9 | 19.4 | 24.2 | NA | NA | NA | NA | NA | NA |
| Net Interest Margin | 2.4 | 2.5 | 3.4 | 3.6 | 3.3 | 3.3 | 8.3 | 7 | 1.9 | 1.6 | 6 | 5.7 | NA | NA |
| Cost of Funds (%) | 4.9 | 4.2 | 5.4 | 4.5 | 3.7 | 2.5 | 8.7 | 7.3 | 1.6 | 3.1 | NA | NA | NA | NA |
| Standard Assets (% of all assets) | 89.2 | 90.6 | 94.9 | 95.3 | 97.7 | 97.6 | 98.1 | 94.6 | NA | NA | 93.7 | 94.0 | | |
| CRAR (% of statutory requirement) | 143 | 156 | 183 | 204 | 197 | 217 | NA | NA | NA | NA | 153 | 177 | NA | NA |

Key trends:

- In FY'21, public deposits in banks increased by 12%, yoy, driven by higher household savings rate due to the lockdowns. But, bank loans grew by less than half of that at 5%, yoy.
- A positive development despite a slowdown in lending was, long term loan (>3 yrs) portfolio of banks witnessed a sharp rise. It had been shrinking consistently since 2014 which led the Government to announce DFIs to fund long term projects.
- Standard assets witnessed a recovery, however this was due to moratoriums granted on loan repayments.

Banks appear healthier with a significantly higher CRAR than statutorily required. Similar trend among major NBFCs.



TruQuest is a knowledge series launched by TruBoard Partners providing succinct updates and views on:

- Liquidity outlook
- India's macro-economic view
- Trends within the Infrastructure, Real Estate and Renewable Energy sectors
- Impact analysis of new regulations and policies on lending and capital flow



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