

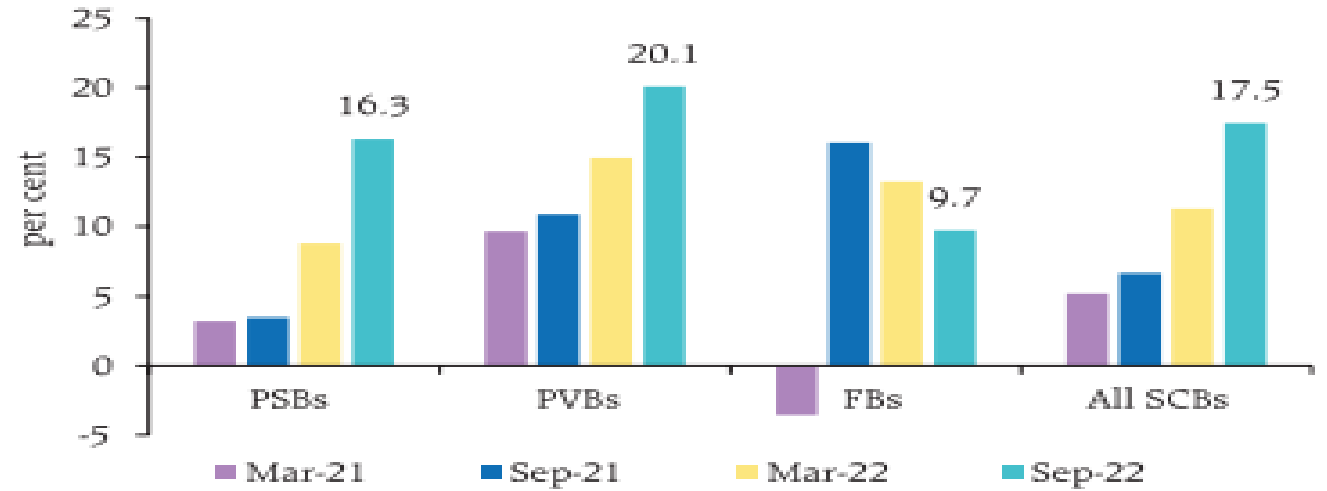
Highlights of Financial Stability Report (FSR)

- Despite an uncertain global macros, FSR highlighted that Indian economy has remained fairly resilient. However, downside risks to growth cannot be ruled out. As per Systemic Risk Survey of RBI, almost all surveyed respondents expect medium to very high probability of a global recession in 2023.
- Within macroeconomic risks, RBI has flagged that corporate sector risk, pace of infrastructure development and risks to real estate prices have increased. Risk to domestic inflation on the other hand has declined.
- What has been a respite is that banking system has remained resilient with adequate capital buffers and moderate levels of non-performing loans.
- Not only this, stronger capital levels of NBFCs, robust growth in AUMs of domestic mutual funds also point towards stability of overall financial system. Another important development has been that the GNPA ratio of large borrowers has improved significantly to 6.4% in Sep'22 from over 10% in Mar'21. Almost all the profitability indicators of SCBs have improved in Sep'22 compared to Mar'22.
- Stress test results also indicated that Indian banks are well capitalized and are in a well equipped position to absorb any macroeconomic shocks. Capital levels are well above requirement even during severe stress period. Under baseline scenario, GNPA ratio of SCBs is likely to improve to 4.9% in Sep'23 from 5% in Sep'22.

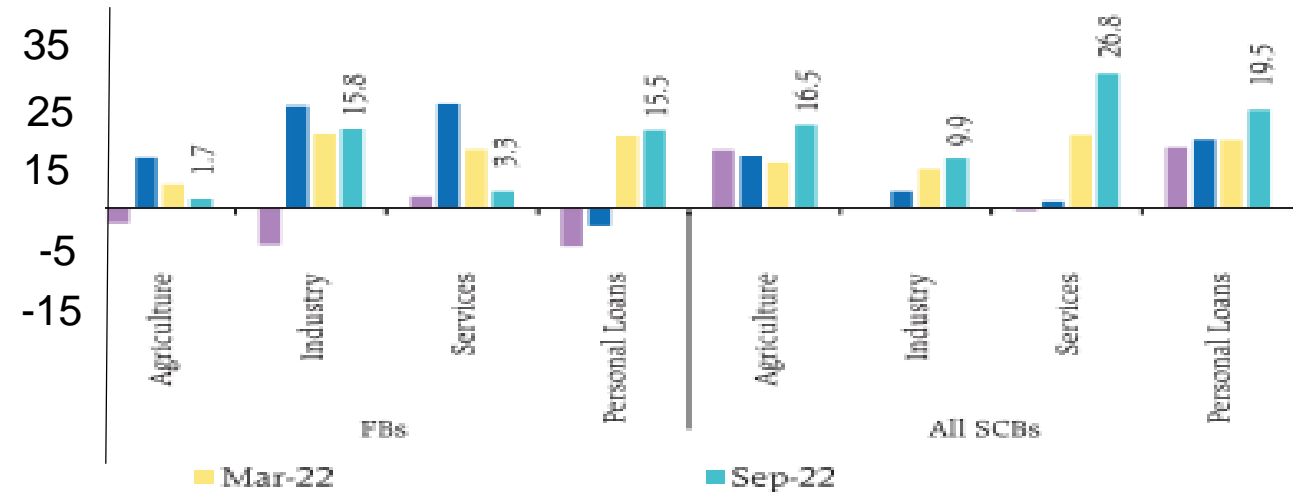
Credit Growth

- SCBs credit growth has picked up pace and reached a decade high of 17.4% on 16 Dec 2022 (level seen last in 2011).
- A broadbased increase has been seen across sectors, population groups, geography, type of accounts and bank groups. PVBs have registered higher credit growth than PSBs.
- Within total advances the share of services and personal loans have moved up. Credit growth has also expanded for agriculture and industry sector.

Credit Growth (YoY%)



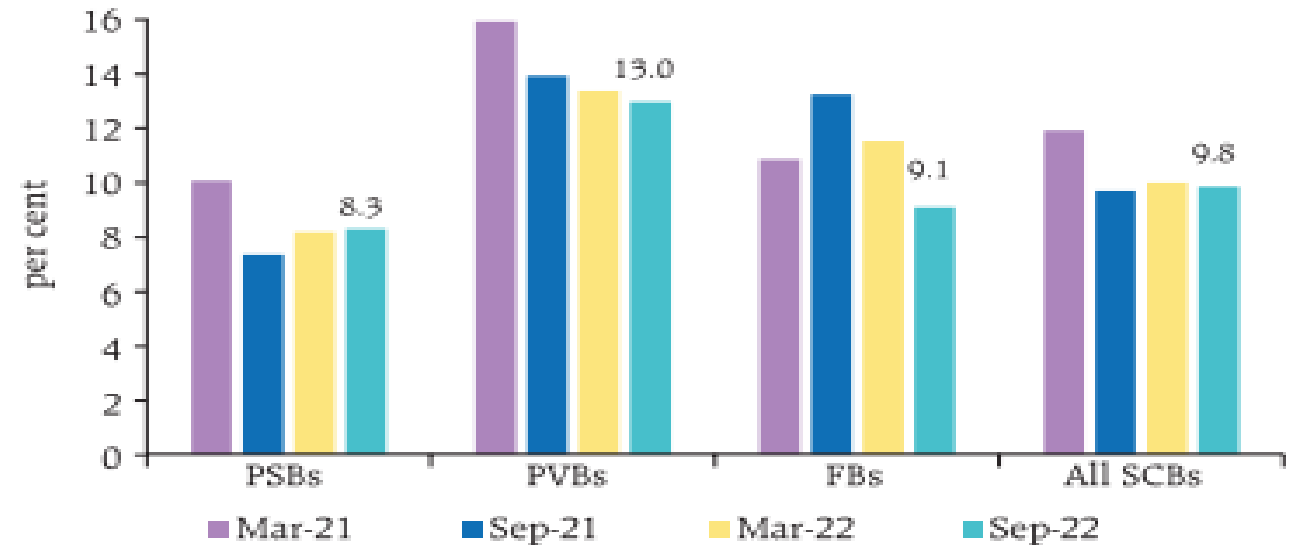
Sector wise-Credit growth



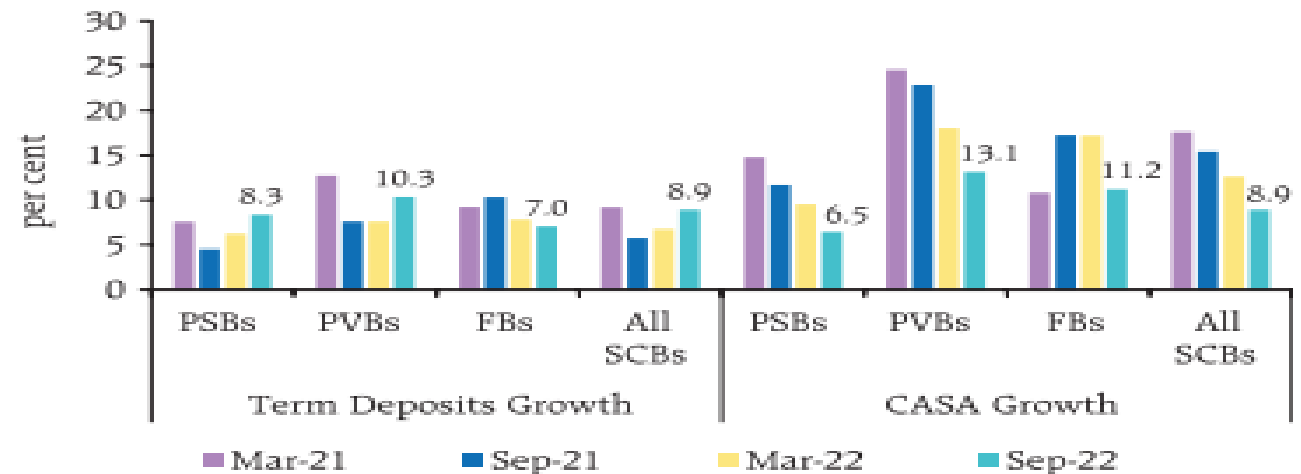
Deposit

- Deposit growth across all SCBs have grown by 9.8% in Sep'22. As on 16 Dec 2022, aggregate deposits have grown by 9.4%.
- Growth of current and saving account have also moderated. In response to higher interest rate, term deposits have attracted accretions.

Deposit growth

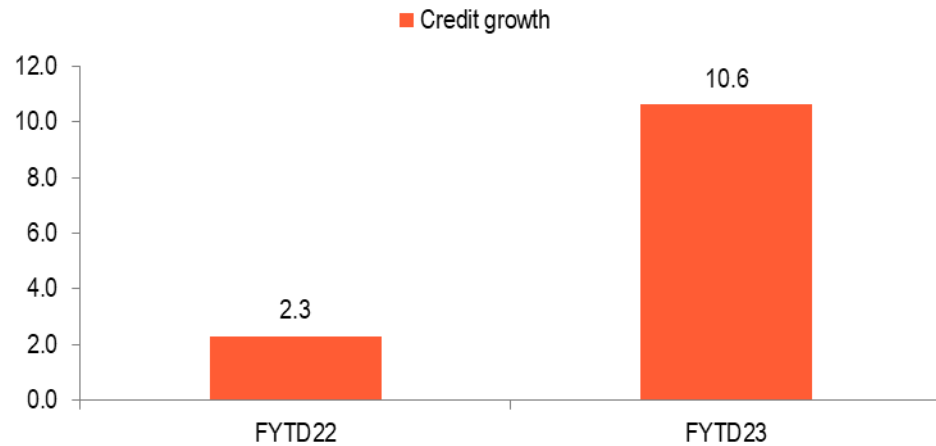


Growth in CASA and Term Deposit

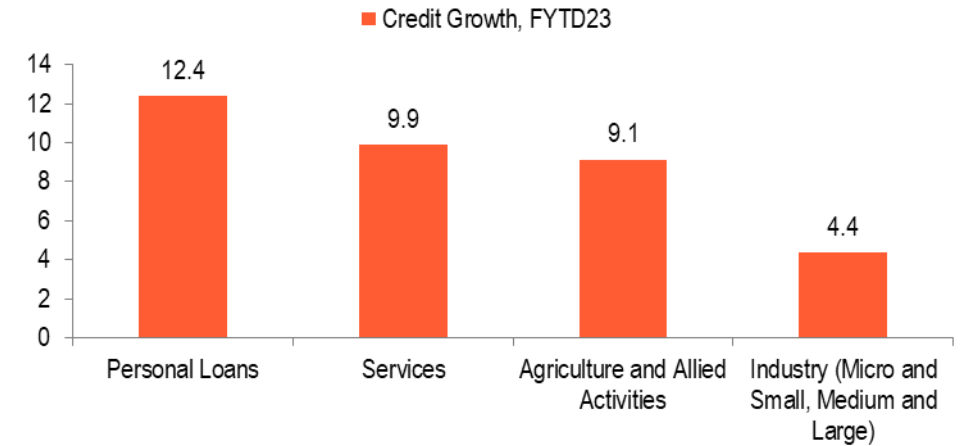


What the current trend of credit deposit shows

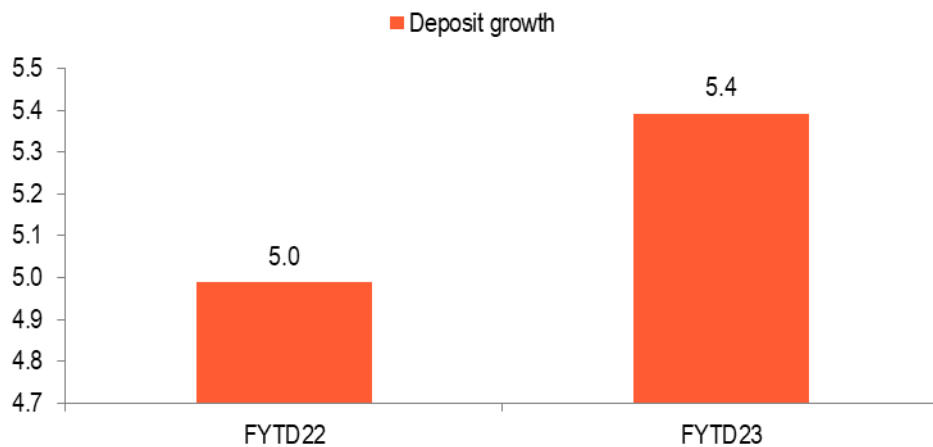
Credit Growth of SCBs increasing at a faster pace



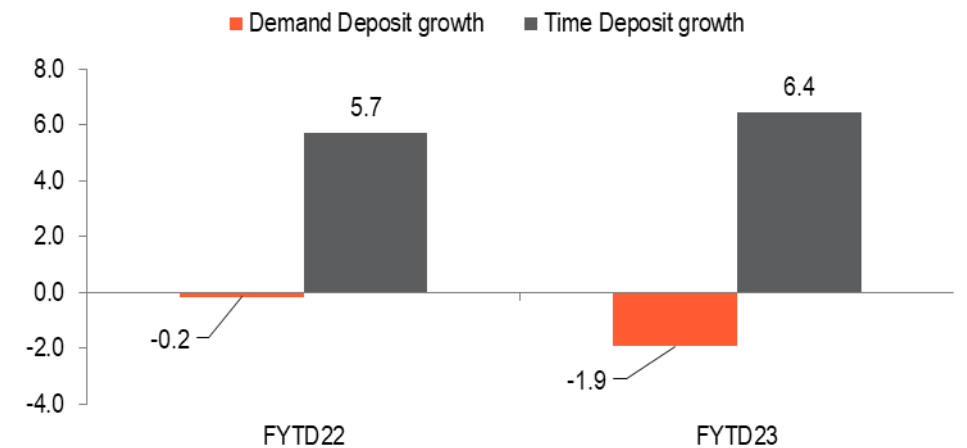
Driven by personal loan and services sector



Deposit growth also picking pace



Led by time deposits

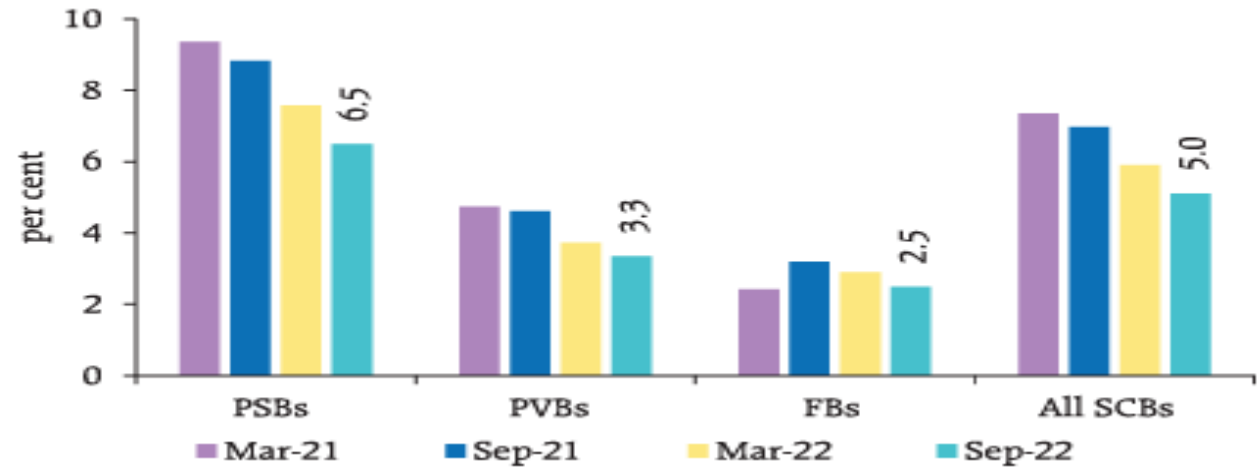


Source: RBI, FYTD: Apr-Nov

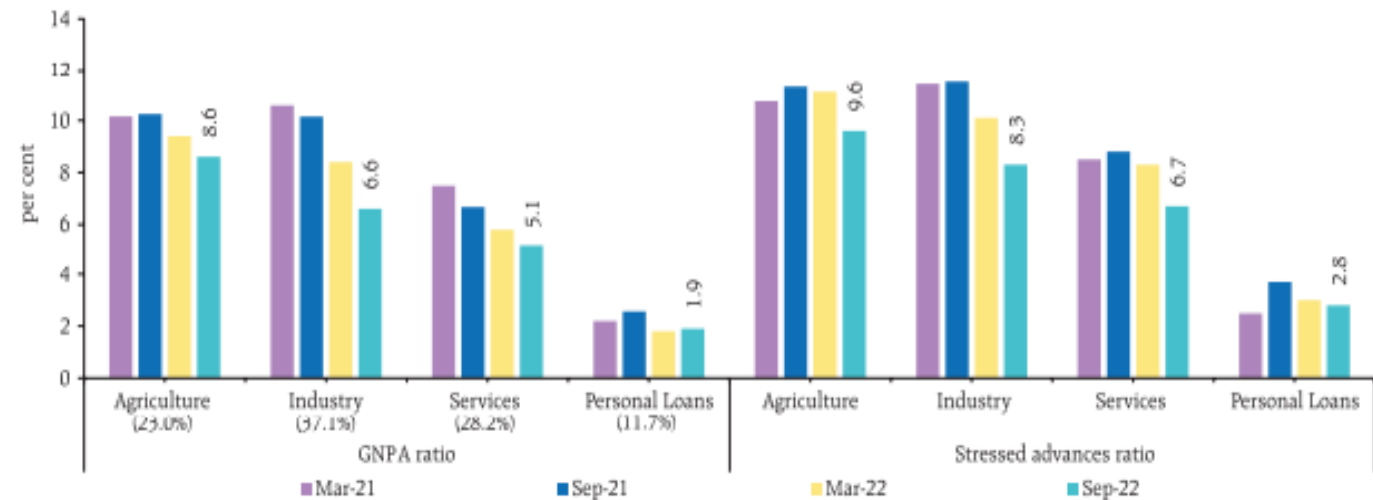
GNPA

- GNPA ratio of SCBs dropped to 7-year low of 5.0% in Sep'22 from 5.9% in Mar'22.
- NNPA ratio stood at a 10-year low of 1.3% in Sep'22 from 1.7% in Mar'22. PVBs' NNPA ratio was below 1% in Sep'22.
- Broad based improvement was visible in sectoral asset quality.
- Notable improvement was visible in asset quality of industry. From 8.4% in Mar'22, it improved to 6.6%.
- Within personal loans, housing (1.6% in Sep'22 from 1.8% in Mar'22) and vehicle loans (1.5% in Sep'22 from 1.8% in Mar'22) noticed improvement in asset quality.

SCB's GNPA ratio



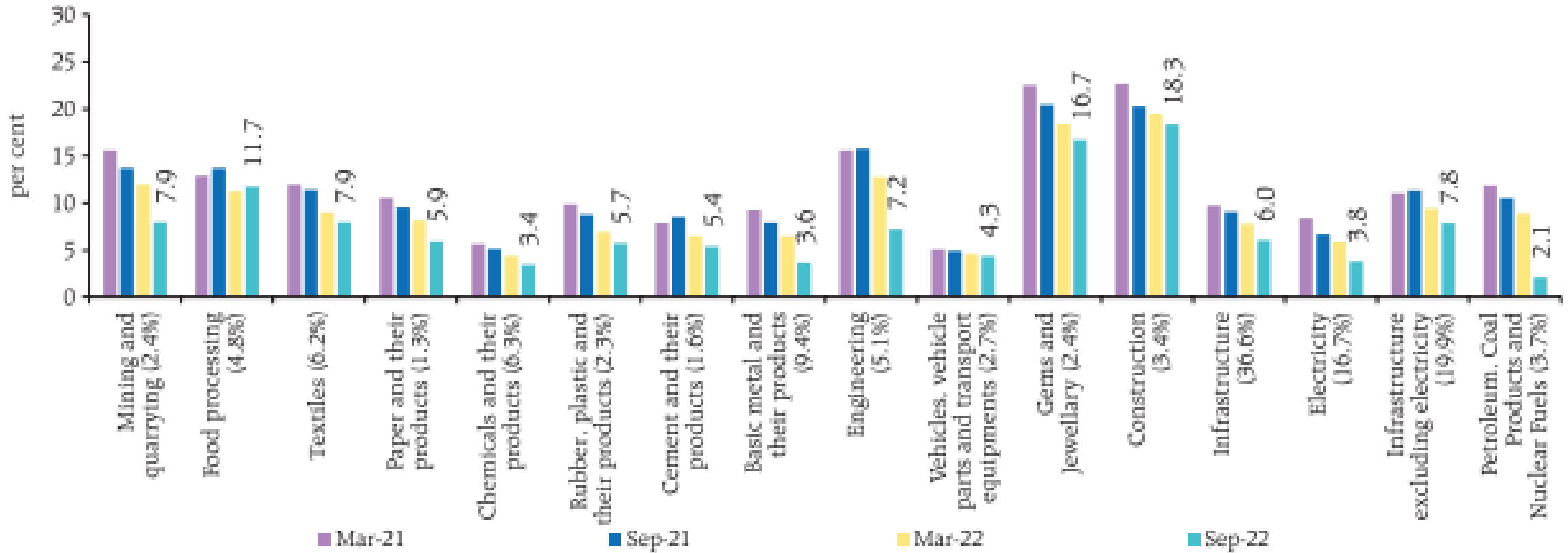
Sectorwise GNPA ratio



Note: Number given in parentheses with the legend are the shares of the respective sector's GNPA in total GNPA of SCBs as of September-22; stressed advances. refers to gross non-performing loans and restructured standard advances.

GNPA-Sub Sector

GNPA ratio-Sub sectorally

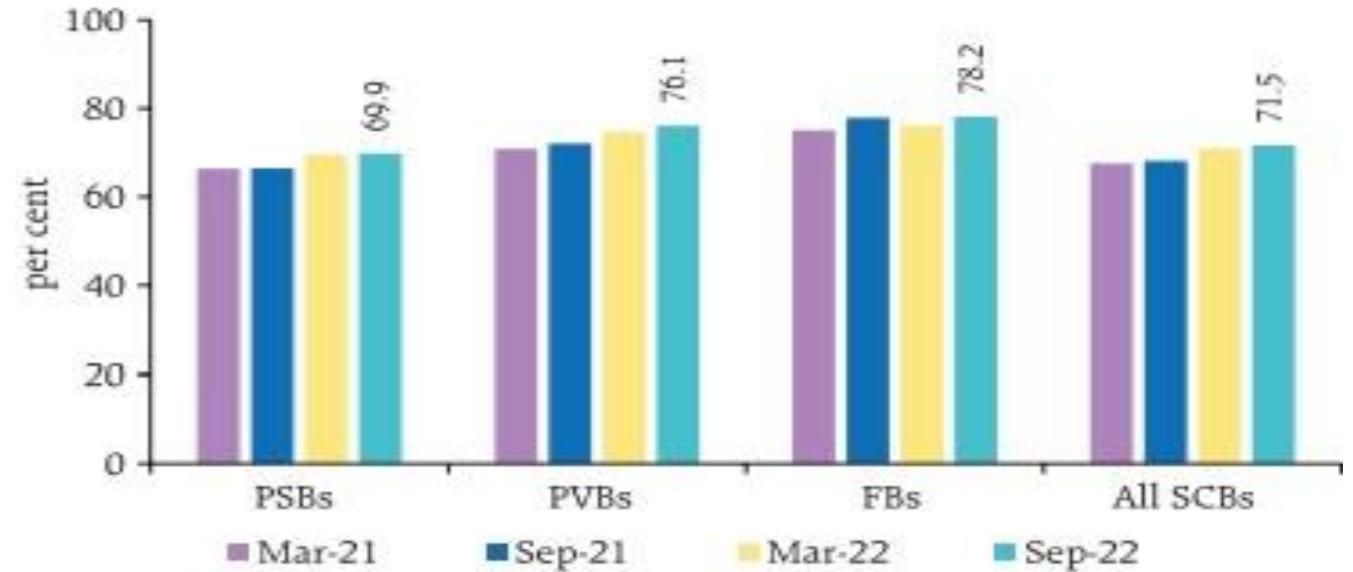


- GNPA ratio remained elevated for gems and jewellery and construction sub- sector

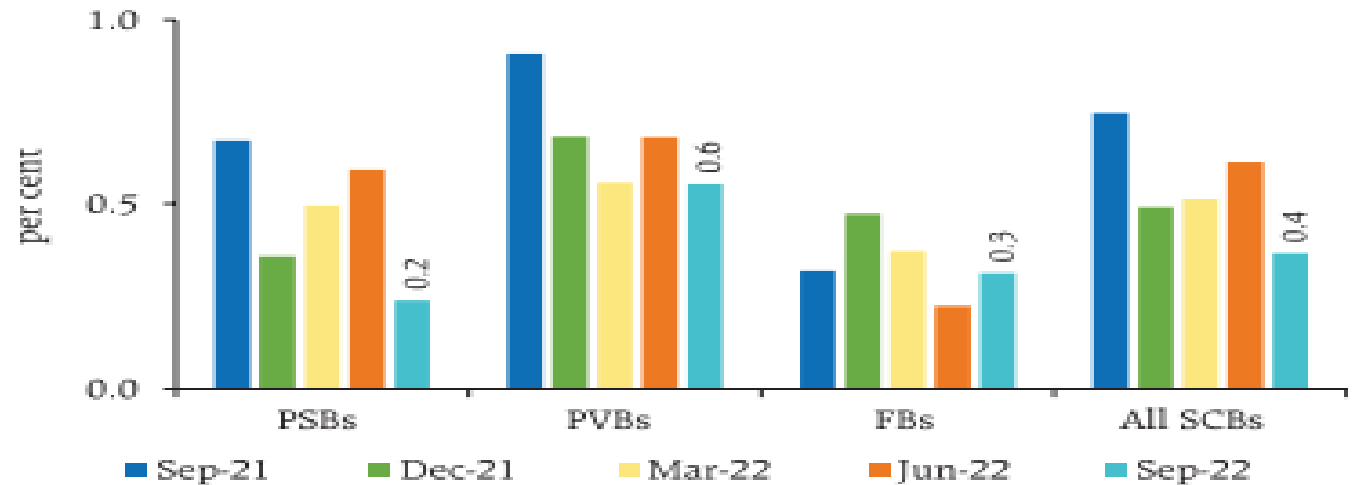
Asset Quality Indicator

- The slippage ratio which has been on the uptrend since Dec'21 has cooled off in Q2FY23. PSBs have registered the most improvement during this period.
- On the other hand, provision coverage ratio has been rising at a steady pace since Mar'21 and has edged up to 71.5% in Sep'22.
- The ratio has exceeded beyond 75% for both Private Banks and Foreign banks.

Provision Coverage Ratio



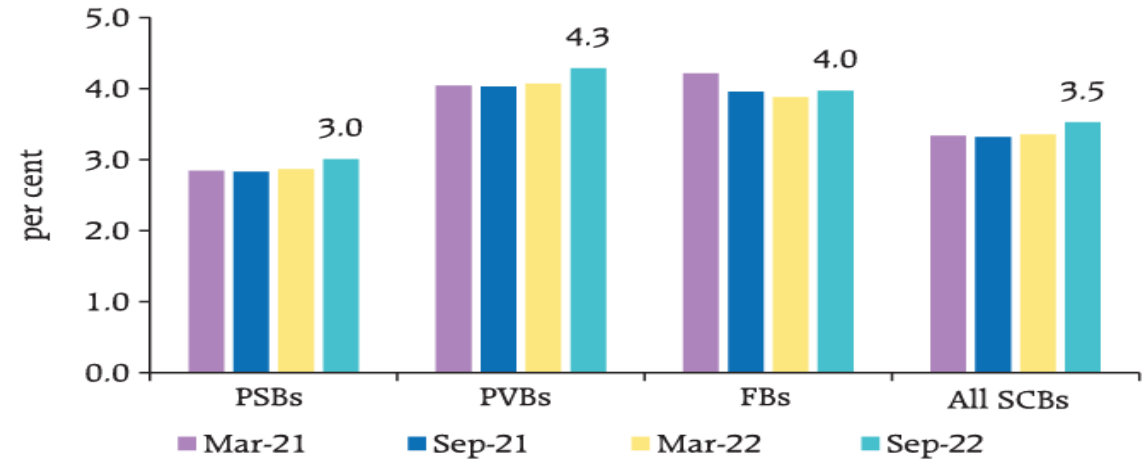
Slippage Ratio



NIM improved

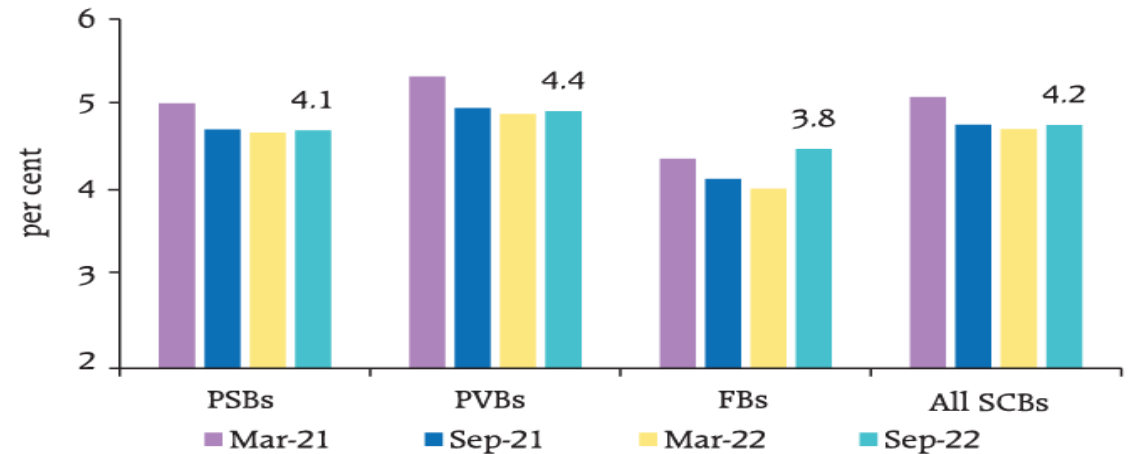
- Between Sep'21 and Sep'22, NIM showed an improvement of 20bps.
- This was on account of rising interest rate regime which got translated into faster pace of increase in loan rates compared to deposit rates.
- After declining continuously for the last two years, the cost of funds increased slightly to 4.2 in Sep'22 from 4.1 in Mar'22.

Net Interest Margin (NIM)-Annualised



Share of sub-sector in brackets

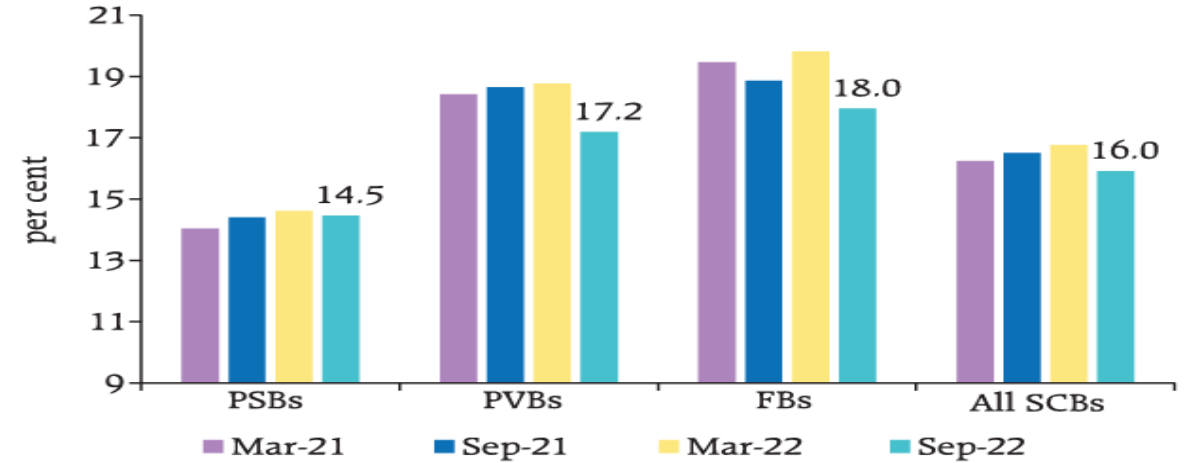
Cost of Funds-Annualised



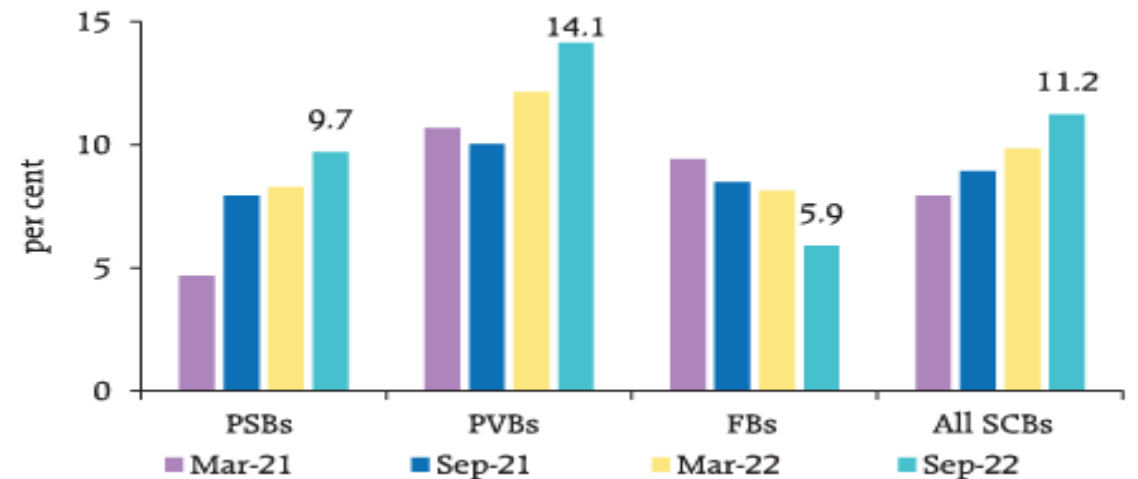
Capital Adequacy/Profitability

- The capital to risk weighted assets ratio (CRAR) of SCBs declined by 77 bps from March 2022 level on account of increase in risk weighted assets (RWAs) as lending activity picked up.
- From 16.7% in Mar'22 it went down to 16% in Sep'22. For PSBs, the ratio was marginally lower at 14.5% in Sep'22 from 14.6% in Mar'22. For PVBs, the ratio went down to 17.2% from 18.8% in the same period.
- RoE improved to 11.2% in Sep'22 from 9.7% in Mar'22. For PSBs, RoE improved to 9.7% from 7.9% in the same period and for PVBs it improved to 14.1% from 12.2%.

CRAR



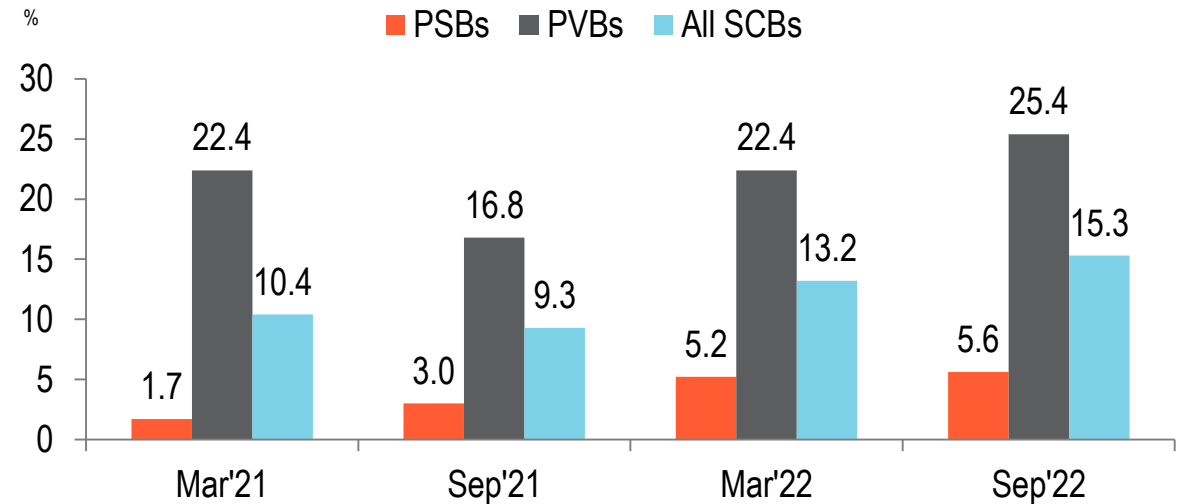
Return on Equity (RoE)-Annualised



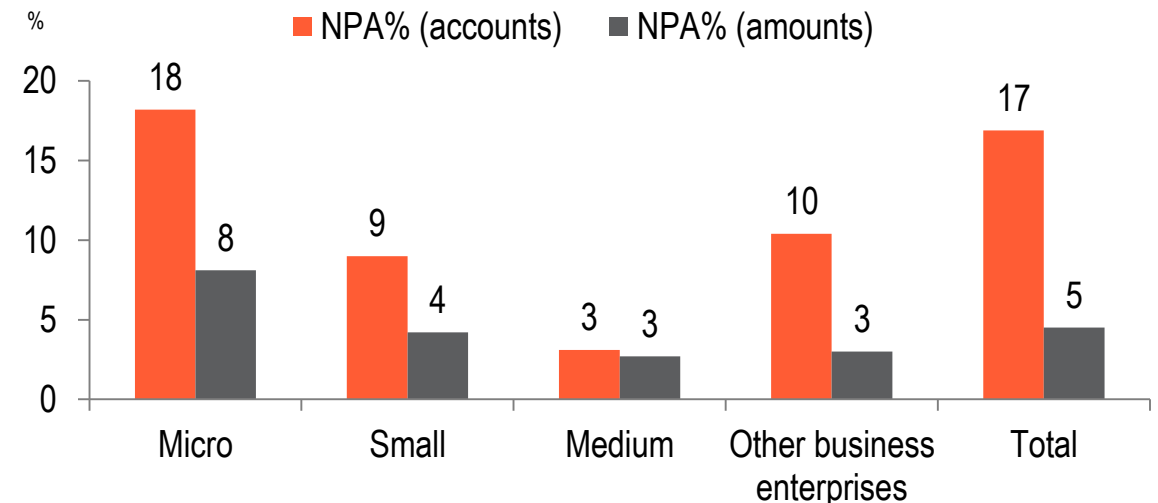
MSME

- Credit flow to MSME by PVBs have registered a strong growth. However, lending by PSBs have moderated for the same period.
- Broad based recovery in domestic demand, higher working capital requirement alongwith the ECLGS scheme has played a pivotal role in sustained credit growth.
- Overall GNPA ratio (PSBs and PVBs) in MSME has fallen to 7.7% in Sep'22 (9.3% in Mar'22).
- However, the distress continues in MSME with 1/6th of the accounts availing ECLGS falling in to NPA.

Credit to MSME sector



Unit Type-wise NPA



- Delinquency levels which shows impairment in consumer credit, measured in terms of the proportion of the portfolio at 90 days past due or beyond, have improved across all bank groups. For PSBs, it improved to 4.3 in Sep'22 from 4.5 in Mar'22.
- However, in the current rising interest rate regime and pass through of policy rate to lending rate, this level require close monitoring.
- Another risk which is flagged in the FSR regarding consumer credit is that inquiry volumes for loan demand from prime and below prime consumers have increased at a faster pace than that from higher rated consumers.

Consumer Credit Delinquency Rates

(per cent)

	PSB	PVB	NBFC / HFC	FinTech
Sep-21	4.8	2.4	3.6	4.6
Oct-21	5.1	2.1	3.9	4.1
Nov-21	5.0	2.0	3.4	4.0
Dec-21	4.8	2.1	3.2	3.2
Jan-22	4.9	2.3	3.2	3.1
Feb-22	4.7	2.0	3.0	2.6
Mar-22	4.5	1.7	2.3	2.2
Apr-22	4.6	1.4	2.6	2.2
May-22	4.6	1.5	2.5	2.1
Jun-22	4.5	1.6	2.2	2.0
Jul-22	4.5	1.9	2.1	2.0
Aug-22	4.4	1.7	2.1	2.0
Sep-22	4.3	1.5	1.8	2.0

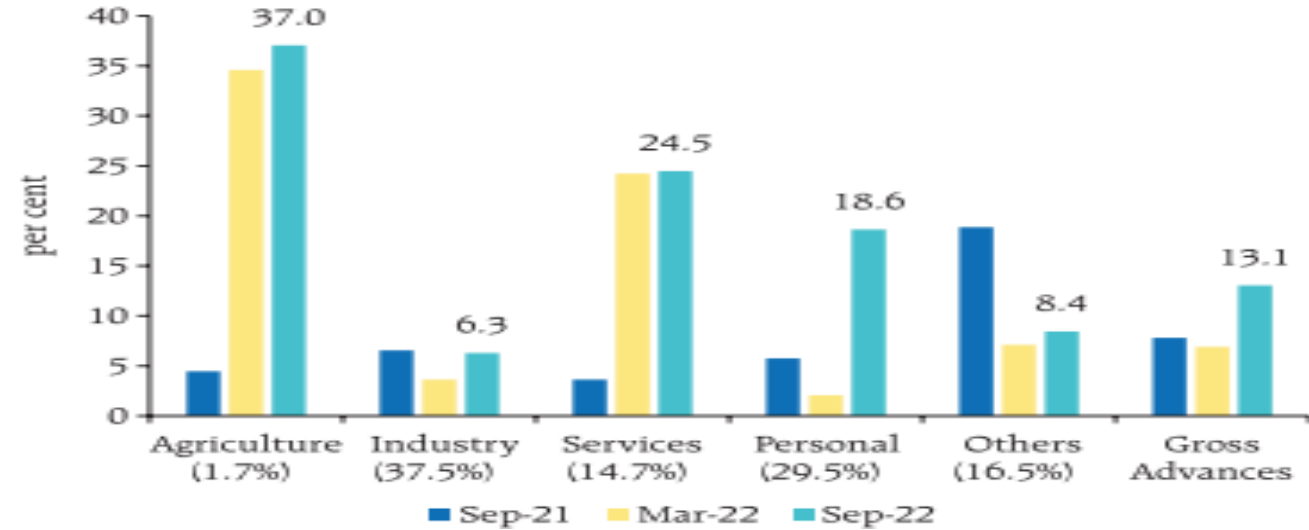
Note: based on 90 days past due balances

Source: TransUnion CIBIL

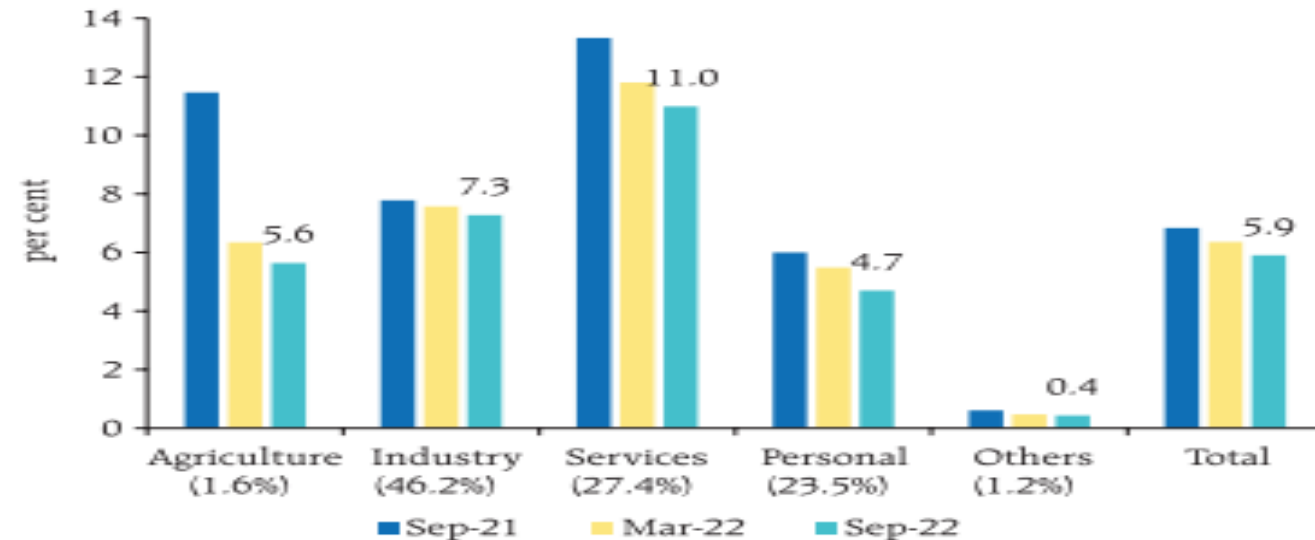
NBFCs

- Credit has expanded at a faster pace in NBFCs with aggregate o/s amount at Rs 31.5 lakh cr
- Both services (share of 14.7%) and personal loans (share of 29.5%) has registered healthy growth. However, industry with the largest share has recorded muted growth at 6.3%.
- The GNPA ratio of NBFCs (5.9% against 7.2%) has moderated from its peak levels seen in pandemic period.
- Borrowing continue to be largest source of funds

Sectoral Credit growth of NBFCs



Sectoral GNPA ratio of NBFCs (%)

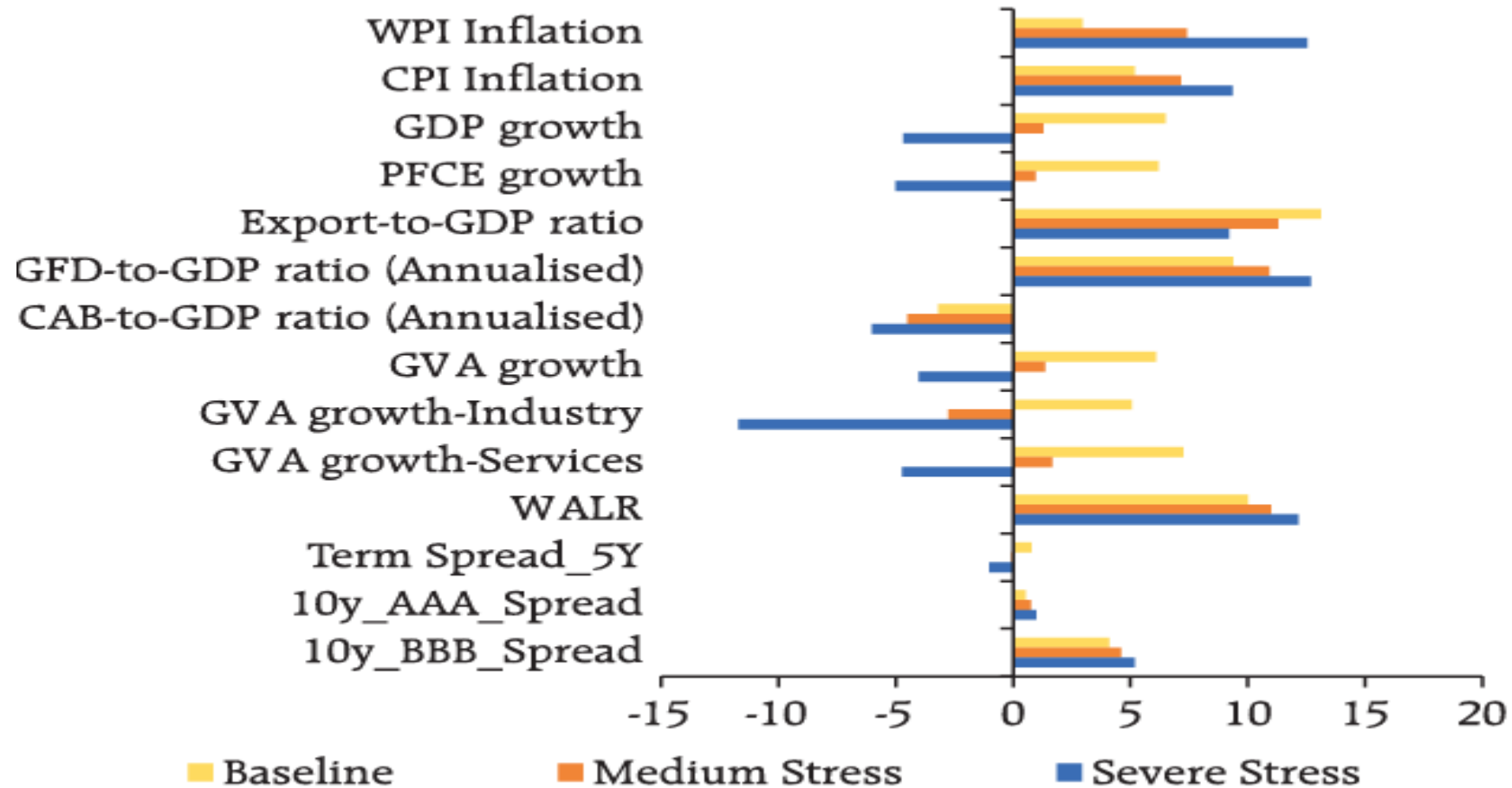


Note1 :Figures in bracket represent sectoral shares in outstanding loans in Sep-22

Note 2: Figures in brackets represent sectoral shares in GNPA in Sep-22

Stress Tests

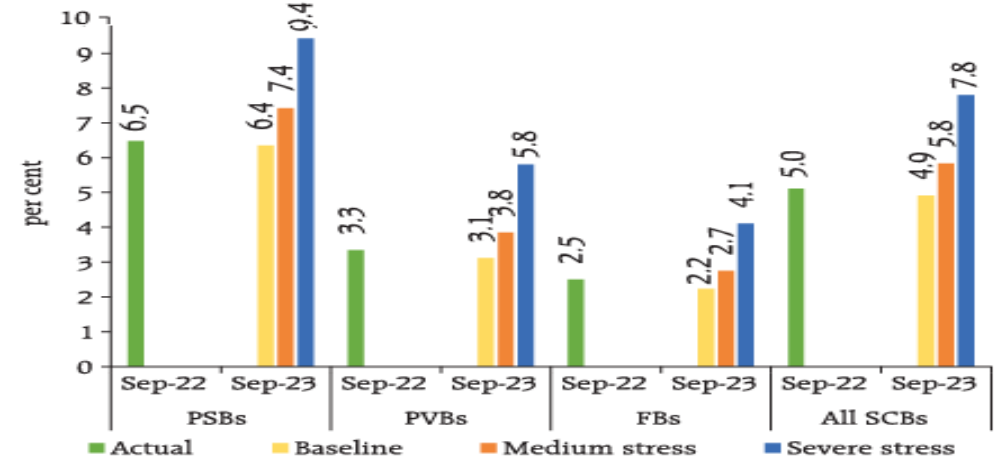
Macro Scenario Assumptions for H1FY24



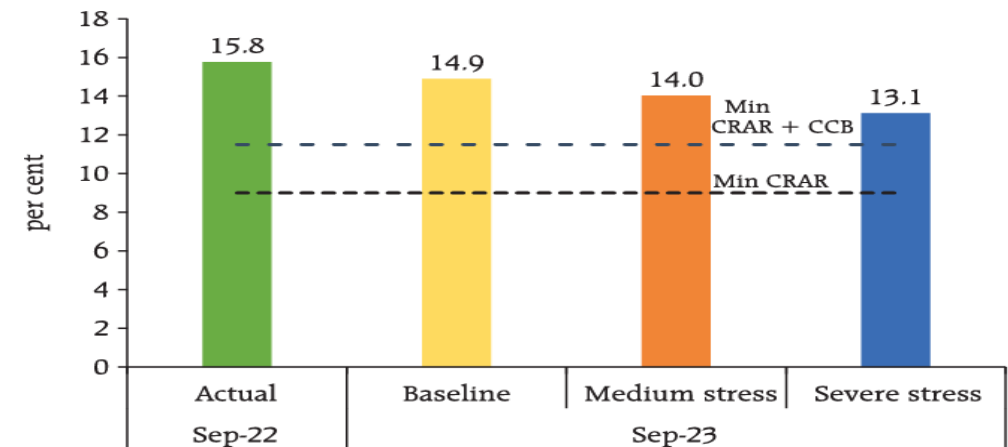
Projections-Contd

- GNPA ratio of SCBs is likely to be 4.9% in Sep'23 under baseline scenario from the existing level of 5% in Sep'22. However, under medium and severe stress, it is likely to deteriorate to 5.8% and 7.8% respectively.
- For PSBs, the GNPA ratio would be 6.4% in baseline scenario from 6.5% in Sep'22 and under medium and severe stress, it would deteriorate to 7.4% and 9.4% respectively.
- As per the stress test, SCBs are well capitalised Under baseline scenario, the aggregate CRAR of 46 major banks is projected to slip from 15.8% in Sep'22 to 14.9% by Sep'23. For medium and severe stress, it may go down to 14.0% and 13.1% respectively, by Sep'23.
- However one of the most important thing which the FSR highlighted is that even during macroeconomic shocks and in the absence of any further capital infusion by stakeholders, SCBs are well capitalised.

Projection of GNPA ratio



Projection of System Level CRAR



Thank You