

RESEARCH
BOB Economics Research | FY22 Review

Financial highlights of banks

SUMMARY
India Economics: FY22 Review

We have analysed the financial performance of 28 banks of which 12 are Public Sector Banks (PSBs) and the balance 16 Private Sector Banks (PVBs). We have looked at the key indicators of profitability, margins and efficiency ratios for the consolidated groups. Growth in net interest income (NII) was lower in FY22 relative to FY21 due to a lower interest rate regime. Notably, cost to income ratio has fallen slightly for PSBs but risen for private banks. Non-interest income growth was lower for the banking system. Under the current rising interest rate cycle, this component would need close monitoring. GNPA ratio has improved in FY22 both for PSBs and PVBs. Return on assets (RoA) has also improved both for PSBs and PVBs. Salary cost to operating expenses declined across the industry.

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Daily macro indicators

Indicator	03-Jun	06-Jun	Chg (%)
US 10Y yield (%)	2.93	3.04	11bps
India 10Y yield (%)	7.46	7.50	4bps
USD/INR	77.63	77.63	0.0
Brent Crude (US\$/bbl)	119.7	119.5	(0.2)
Dow	32,900	32,916	0.0
Hang Seng	21,082	21,654	2.7
Sensex	55,769	55,675	(0.2)
India FII (US\$ mn)	02-Jun	03-Jun	Chg (\$ mn)
FII-D	74.5	7.5	(67.0)
FII-E	(73.7)	(476.2)	(402.5)

Source: Bank of Baroda Economics Research

BOBCAPS Research

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FY22 REVIEW

07 June 2022

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Dipanwita Mazumdar
Economist

Key Takeaways:

- **NII** of industry moderated to 10.5% in FY22 compared to 22.4% in FY21. This is on account of moderation in interest income to 2% from 10.4% in FY21, on account of a low interest rate regime and muted credit demand. Interest expenses on the other hand had declined by 4.4% as against an increase of 2.8% in FY21.
- For PSBs, NII edged down to 8.1% in FY22 from 28.3% in FY21. For PVBs, there was only slight moderation in NII to 13.5% from 15.3% in FY21.
- **Non-interest income** of PSBs has fell by 1.5% in FY22 against 24.3% increase seen in FY21, whereas for PVBs, it has been fairly stable and increased by 8.7% in FY22 from 6.5% in FY21, which has indeed supported their operating income.
- **Operating Profit** of the industry rose at a softer pace of 7% in FY22 against 24.7% in FY21. Notably, due to an elevated base in FY21, the numbers look modest.
- **Cost to income ratio** of the industry has increased marginally to 47.65% in FY22 from 46.78% in FY21. However for PSBs, the ratio moderated slightly to 50.42 in FY22 from 50.94% in FY21.
- **Provisions** for the industry have fallen by 25.2% in FY22 from 3.7% decline in FY21. For PSBs, provisions fell by 27.9% in FY22 from 2.1% decline in FY21. For PVBs, provisions declined by 19.8% from 6.9% fall in FY21. The decline may be attributed to the fact that banks have been making progressive provisions for NPAs in the last few years thus obviating the need for the same in the current financial year.
- **Net Profit** of PSBs rose to Rs 66,540 crore in FY22 from Rs 31,818 crore in FY21. For PVBs, net profit rose to Rs 93,037 crore from Rs 71,259 crore in FY21.



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Note: Recommendation structure changed with effect from 21 June 2021

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