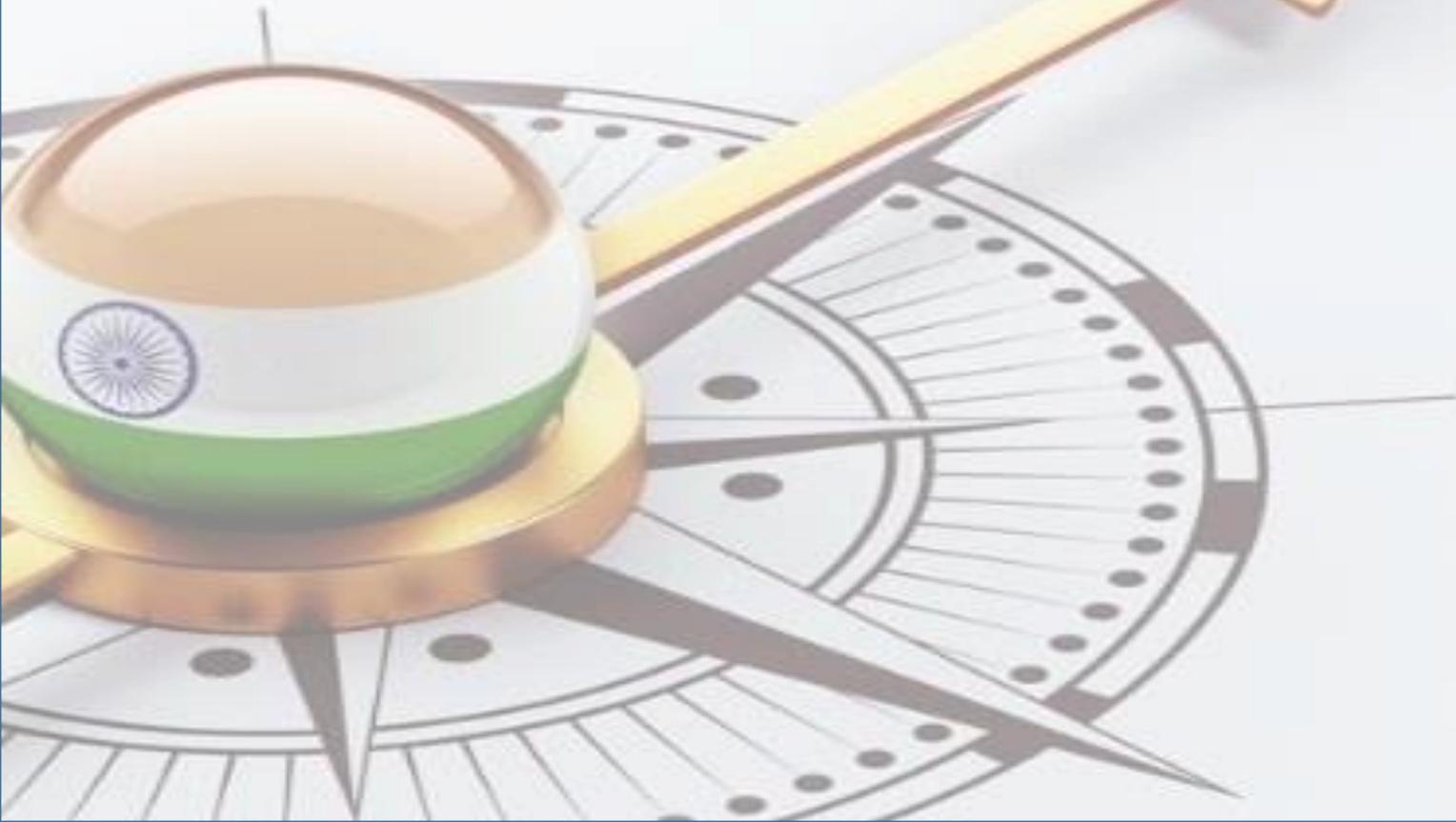


Measures to Achieve Higher Economic Growth



Progress since Announcements on 23.8.2019



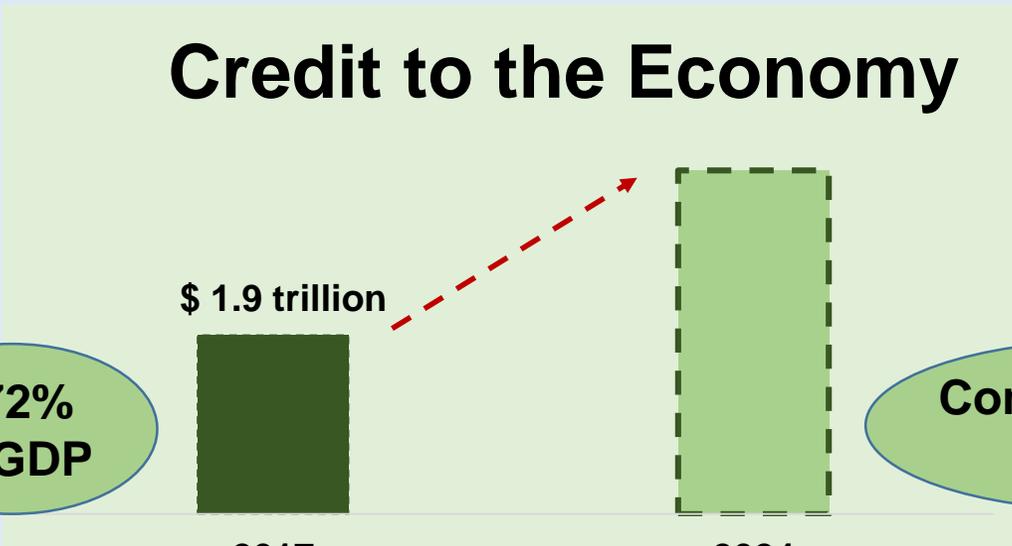
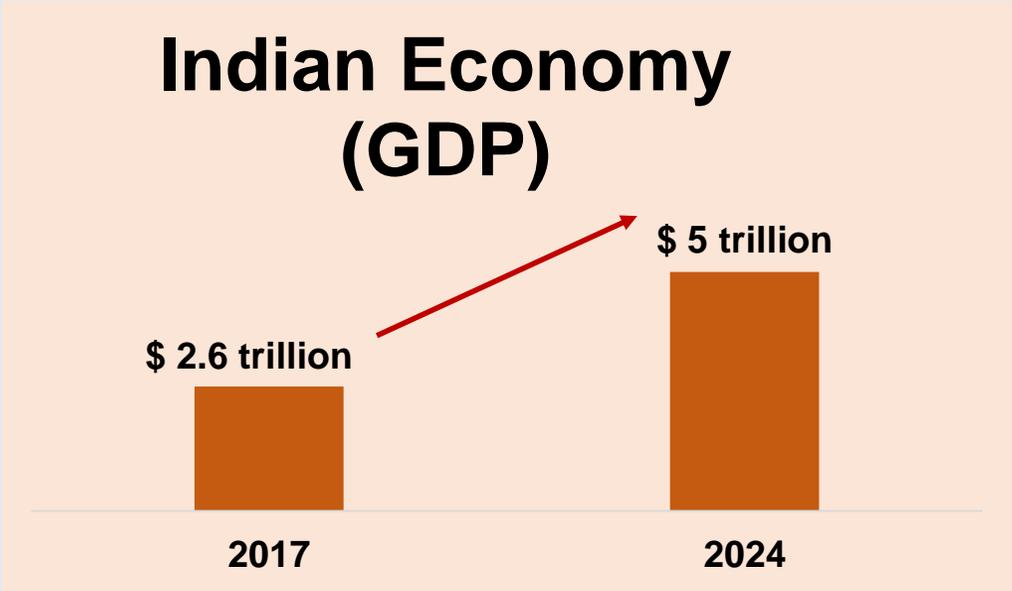
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Quick Follow-up on Measures Announced on 23.8.19

Announcements			Actions initiated	
1	Banks to launch Repo rate linked loan products		8 PSBs have launched repo-linked home/vehicle/mortgage/cash-credit loans	✓
2	Customer Ease: Time-bound return of loan documents		Instructions issued. To be enforced through CBS. Regional Managers responsible.	✓
3	Customer Ease: Online tracking of loan applications		Implementation initiated with Retail/MSME on Loan Management Systems	✓
4	Transparent One Time Settlement (OTS) Policy		Instructions issued	✓
5	Support to NBFCs/HFCs: Partial Credit Guarantee		Sanction begun with ~₹ 3,300 crore and ~₹ 30,000 crore more in pipeline	✓
6	Co-origination of loans by PSBs jointly with NBFCs		Bank-NBFCs tie-ups with 4 NBFCs already in place. More in pipeline.	✓

Rapid Growth needs Robust Credit Capacity

Strong banks
imperative for
\$5 trillion economy



~72%
of GDP

Commensurate
growth

Strong Foundation Laid
through
Financial Sector Reforms
An Ongoing Endeavour



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प्रक्रियाओं में मूलभूत परिवर्तन

BANKING THEN

1. Phone Banking



2. Layered entry operations



3. Auditors not independently regulated



4. Restructuring of stressed assets often without actual resolution



5. Stress restructured and not recognized as NPA



BANKING NOW

No interference in commercial decisions ✓

3.38 lakh “shell” companies struck off ✓

NFRA set up as independent regulator of auditors ✓

Resolution through IBC: Connected party debarred ✓

Restructuring schemes withdrawn ✓

प्रक्रियाओं में मूलभूत परिवर्तन

BANKING THEN

6. Releases often without ensuring loan conditions/ project clearances



7. Consortiums with 30-31 members



8. Inadequate techno-economic valuation capacity



9. Technology / analytics not fully leveraged for appraisal



10. Inadequate Early Warning Signal system & no specialised monitoring



BANKING NOW

Releases only after ensuring loan conditions and clearances ✓

Consortiums limited to 7 to 9 ✓

Techno-economic valuation cells created in banks ✓

Technology / analytics used for robust due diligence ✓

EWS in place; Specialised agencies monitor loans > ₹ 250 crore ✓

प्रक्रियाओं में मूलभूत परिवर्तन

BANKING THEN

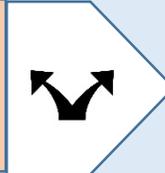
11. Cash flows not ring-fenced



12. Banks overexposed to corporate loans



13. Sanction and monitoring not strictly separated



14. Banks often on verge of default due to poorer quality capital



15. Inadequate slippage prevention mechanism



BANKING NOW

Cash flows ring-fenced ✓

Business plans implemented for balanced asset mix ✓

Sanctioning and monitoring of big loans strictly separated ✓

Quality of Tier-I capital enhanced ✓

Stressed asset verticals created ✓

प्रक्रियाओं में मूलभूत परिवर्तन

BANKING THEN

16. Fleeing defaulters retained control of assets



17. Inadequate digital lending interface



18. Foreign branches retained despite losses



19. *Ad hoc* loan-pricing



20. Loan Management System (LMS) in only a few PSBs



BANKING NOW

Fugitive Economic Offenders Act to confiscate assets ✓

PSBloansin59minutes.com launched ✓

Foreign branches rationalised ✓

Adherence to risk-based pricing ✓

Retail & MSME LMS implemented ✓

प्रक्रियाओं में मूलभूत परिवर्तन

BANKING THEN

21. SWIFT messages not always linked to CBS



22. Slow, multi-level decision-making for loan sanction



23. No online bill discounting platform



24. Selection of top management not done independently



25. MD selection from within banks of same category



26. MD also being Chairman weakened Board oversight



BANKING NOW

SWIFT messages linked to CBS ✓

IT-based centralised processing centres and verticals started ✓

MSME bills discounted on TReDS ✓

Selection at arm's length through Banks Board Bureau ✓

MD selection from market for large PSBs and wider pool for other PSBs ✓

Non-executive Chairman introduced ✓

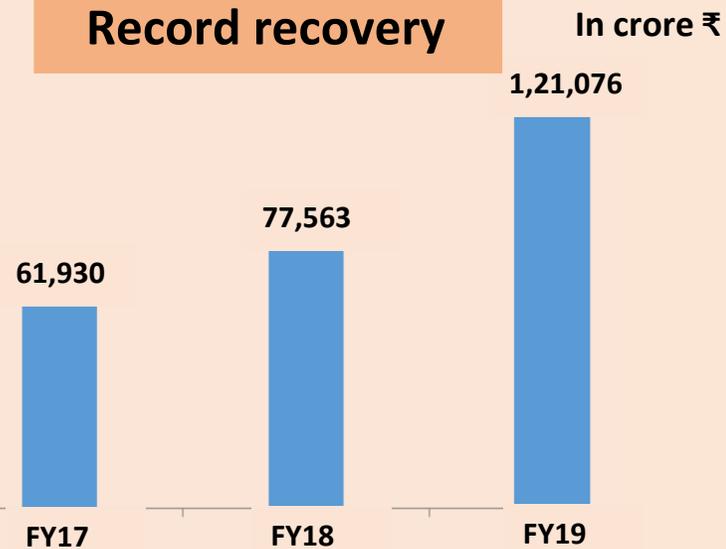
Gains Visible from PSB Reforms



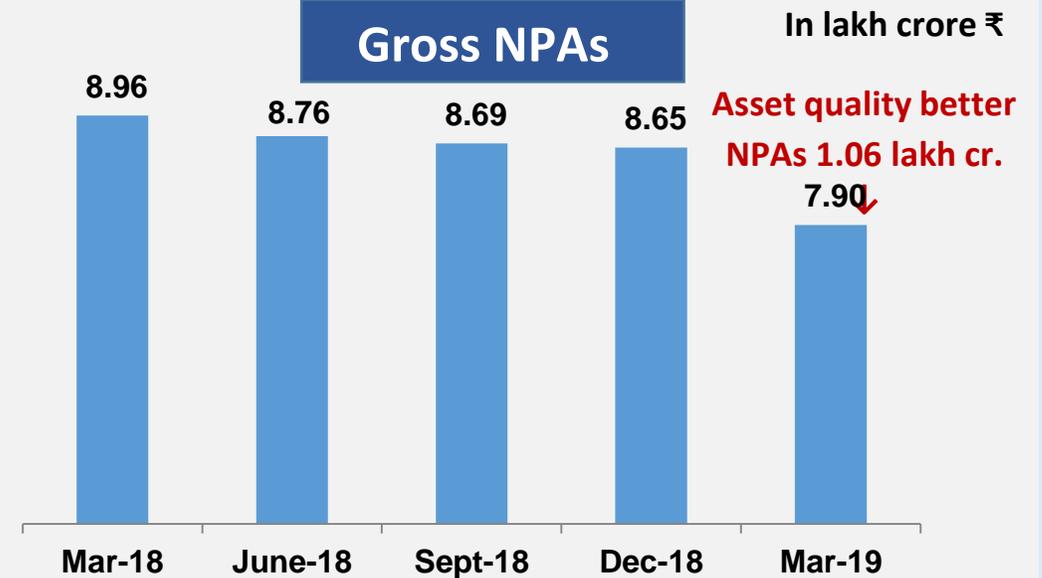
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Gains visible from PSB Reforms

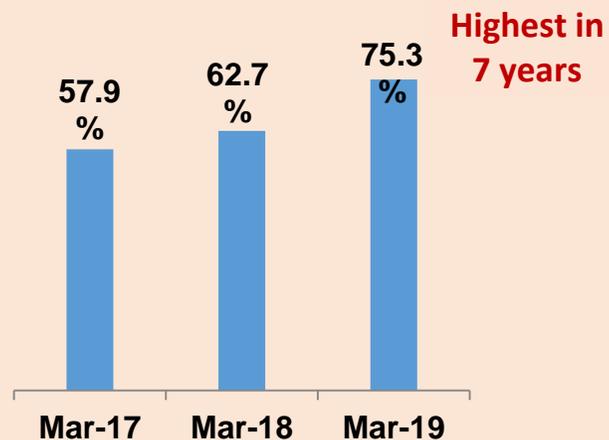
Record recovery



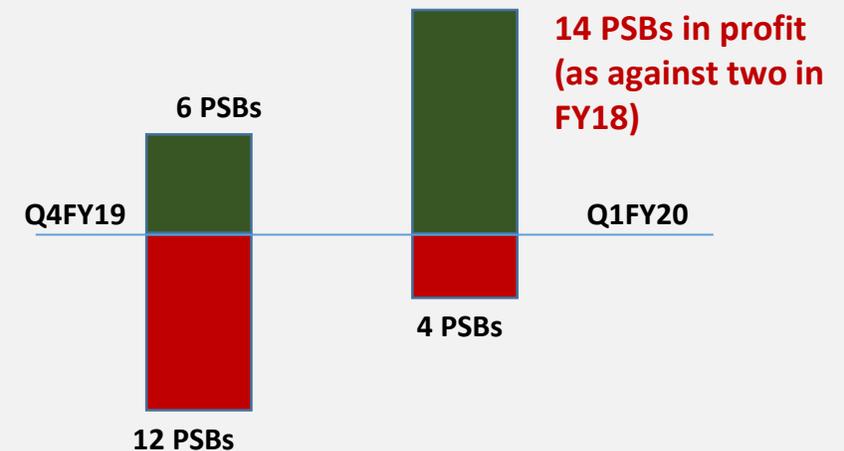
Gross NPAs



Provision Coverage Ratio



Enhanced profitability



Gains Visible from Amalgamation

of

BoB + Vijaya + Dena Bank



सत्यमेव जयते

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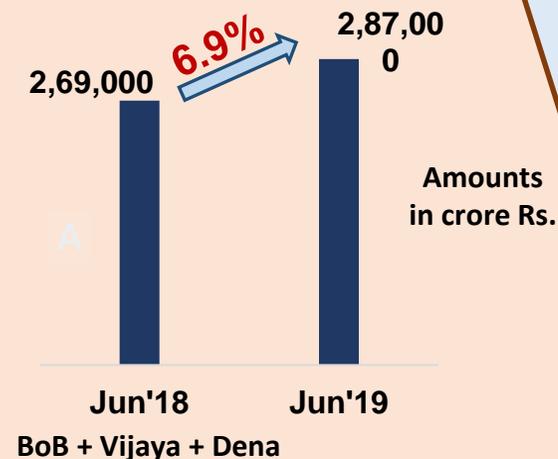
BoB + Vijaya Bank + Dena Bank



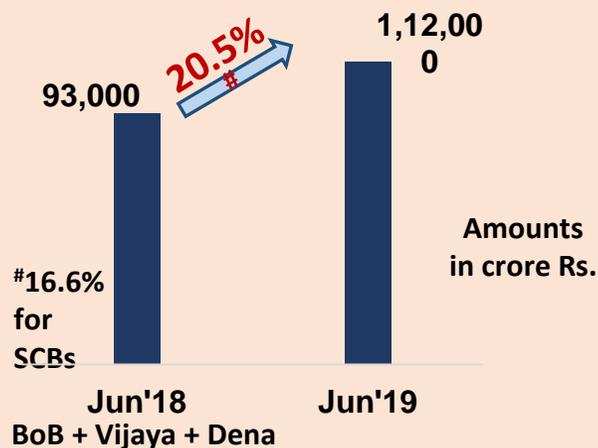
Wide-ranging benefits

- ✓ Wider offerings, enhanced customisation
- ✓ Operations rationalised
- ✓ Verticalisation initiated
- ✓ No retrenchments:
 - Best of employee benefits
 - Admin staff redeployed for business

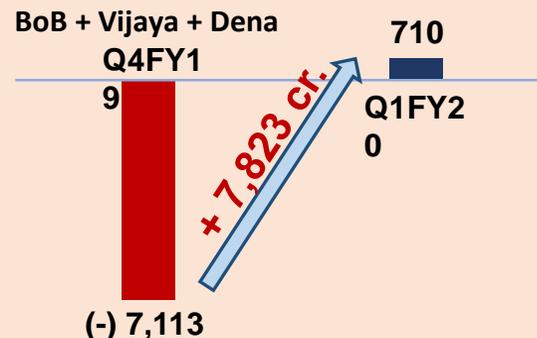
Robust CASA growth



Strong retail loan growth



Profitability enhanced



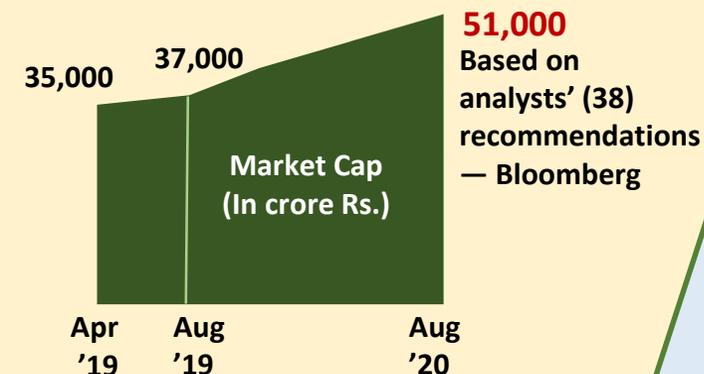
Potential unlocked

Poised for rapid growth

Set for market raising

High profit trajectory

Strong valuation gain projected



Building NextGen Banks



Department of Financial Services
Ministry of Finance
Government of India

Unlocking potential through Consolidation

Big banks with enhanced capacity to increase credit



Banks with strong national presence and global reach



Operational efficiency gains to reduce cost of lending



**Banks with scale
for building a
\$ 5 trillion
economy**

Enhanced risk appetite



Thrust on NextGen technology for banking



Wider offerings with enhanced customisation



Better ability to raise resources from markets



Snapshot of Consolidations



Department of Financial Services
Ministry of Finance
Government of India

PNB + Oriental Bank of Commerce + United Bank

2nd largest PSB with business of ₹ 17.95 lakh crore (~1.5 times PNB)

2nd largest branch network in India, with 11,437 branches

Scale and synergy benefits through:



High CASA and lending capacity combined in consolidated bank

Large cost reduction potential due to network overlaps

Cost saving and income opportunities for JVs and subsidiaries

Same CBS platform (Finacle) in all three banks to enable quick realisation of gains

PNB + Oriental Bank of Commerce + United Bank



	PNB	OBC	United Bank of India	Amalgamated bank
Total business (in crore ₹)	11,82,224	4,04,194	2,08,106	17,94,526
Gross advances (in crore ₹)	5,06,194	1,71,549	73,123	7,50,867
Deposits (in crore ₹)	6,76,030	2,32,645	1,34,983	10,43,659
CASA ratio	42.16%	29.40%	51.45%	40.52%
Domestic branches	6,992	2,390	2,055	11,437
PCR	61.72%	56.53%	51.17%	59.59%
CET-I ratio	6.21%	9.86%	10.14%	7.46%
CRAR ratio	9.73%	12.73%	13.00%	10.77%
Net NPA ratio	6.55%	5.93%	8.67%	6.61%
Employees	65,116	21,729	13,804	1,00,649

Canara Bank + Syndicate Bank

4th largest PSB with business of ₹ 15.20 lakh crore (~1.5 times Canara Bank)

3rd largest branch network in India, with 10,342 branches

Scale and synergy benefits through:



Large cost reduction potential due to network overlaps

Similar culture to enable smooth consolidation

Cost saving and income opportunities for JVs and subsidiaries

Same CBS platform (iFlex) in both banks to enable quick realisation of gains

Canara Bank + Syndicate Bank



	Canara Bank	Syndicate Bank	Amalgamated bank
Total business (in crore ₹)	10,43,249	4,77,046	15,20,295
Gross advances (in crore ₹)	4,44,216	2,17,149	6,61,365
Deposits (in crore ₹)	5,99,033	2,59,897	8,58,930
CASA ratio	29.18%	32.58%	30.21%
Domestic branches	6,310	4,032	10,342
PCR	41.48%	48.83%	44.32%
CET-I ratio	8.31%	9.31%	8.62%
CRAR ratio	11.90%	14.23%	12.63%
Net NPA ratio	5.37%	6.16%	5.62%
Employees	58,350	31,535	89,885

Union Bank + Andhra Bank + Corporation Bank

5th largest PSB with business of ₹ 14.59 lakh crore (~2 times Union Bank of India)

4th largest branch network in India, with 9,609 branches

Scale and synergy benefits through:



Business to become twice to 4½ times existing bank business

Large cost reduction potential due to network overlaps

Cost saving and income opportunities for JVs and subsidiaries

Same CBS platform (Finacle) in all three banks to enable quick realisation of gains

Union Bank + Andhra Bank + Corporation Bank



	Union Bank	Andhra Bank	Corporation Bank	Amalgamated bank
Total business (in crore ₹)	7,41,307	3,98,511	3,19,616	14,59,434
Gross advances (in crore ₹)	3,25,392	1,78,690	1,35,048	6,39,130
Deposits (in crore ₹)	4,15,915	2,19,821	1,84,568	8,20,304
CASA ratio	36.10%	31.39%	31.59%	33.82%
Domestic branches	4,292	2,885	2,432	9,609
PCR	58.27%	68.62%	66.60%	63.07%
CET-I ratio	8.02%	8.43%	10.39%	8.63%
CRAR ratio	11.78%	13.69%	12.30%	12.39%
Net NPA ratio	6.85%	5.73%	5.71%	6.30%
Employees	37,262	20,346	17,776	75,384

Indian Bank + Allahabad Bank

7th largest PSB with business of ₹ 8.08 lakh crore (~1.9 times Indian Bank)

Nationwide presence with strong networks in the South, North and East

Scale and synergy benefits through:



Doubling of business size

Major scaling up of reach due to complementary networks

High CASA and lending capacity in consolidated bank

Same CBS platform (BaNCS) in both banks to enable quick realisation of gains

Indian Bank + Allahabad Bank



	Indian Bank	Allahabad Bank	Amalgamated bank
Total business (in crore ₹)	4,29,972	3,77,887	8,07,859
Gross advances (in crore ₹)	1,87,896	1,63,552	3,51,448
Deposits (in crore ₹)	2,42,076	2,14,335	4,56,411
CASA ratio	34.71%	49.49%	41.65%
Domestic branches	2,875	3,229	6,104
PCR	49.13%	74.15%	66.21%
CET-I ratio	10.96%	9.65%	10.36%
CRAR ratio	13.21%	12.51%	12.89%
Net NPA ratio	3.75%	5.22%	4.39%
Employees	19,604	23,210	42,814

March 2019 financials

NextGen PSBs

Consolidated PSBs
for strong national
presence & global reach

82% of PSB business

56% of commercial bank
business

Anchor bank	Amalgamating bank(s)	Business size*	PSB rank by size	CBS
Punjab National Bank	Oriental Bank of Commerce United Bank of India	₹ 17.94 lakh cr.	2nd largest	Finacle
Canara Bank	Syndicate Bank	₹ 15.20 lakh cr.	4th largest	iFlex
Union Bank of India	Andhra Bank Corporation Bank	₹ 14.59 lakh cr.	5th largest	Finacle
Indian Bank	Allahabad Bank	₹ 8.08 lakh cr.	7th largest	BaNCS
SBI	Amalgamated earlier	₹ 52.05 lakh cr.		
Bank of Baroda	Amalgamated earlier	₹ 16.13 lakh cr.		

To strengthen
national presence

Bank	Business size*
Bank of India	₹ 9.03 lakh cr.
Central Bank of India	₹ 4.68 lakh cr.

To strengthen
regional focus

Bank	Business size*
Indian Overseas Bank	₹ 3.75 lakh cr.
UCO Bank	₹ 3.17 lakh cr.
Bank of Maharashtra	₹ 2.34 lakh cr.
Punjab and Sind Bank	₹ 1.71 lakh cr.

* March 2019 financials

Governance Reforms



Department of Financial Services
Ministry of Finance
Government of India

Governance Reforms

**PSB Boards
empowered**

To make management accountable to Board, Board committee of nationalised banks to appraise performance of GM & above (incl. MD)

To make span of control manageable in large PSBs, post consolidation, Boards given flexibility to introduce CGM level as per business needs

To recruit Chief Risk Officer from market, at market-linked compensation to attract best available talent

To enable Succession Planning, Boards to decide system of Individual Development Plans for all senior executive positions

To ensure sufficient tenure, Boards given flexibility to prescribe residual service of two years for appointment of GM and above

Governance Reforms

Strengthening Board committee system

Flexibility given to Boards of large PSBs to enhance sitting fees of Non-Official Directors (NODs)

For better Board committee functioning, Boards given mandate to reduce/rationalise Board committees

Risk Management Committee given mandate to fix accountability for compliance of Risk Appetite Framework

Longer term to Directors on Management Committee of Board (MCB) to enable them to contribute effectively

MCB loan sanction thresholds enhanced by up to 100%, to enable focussed attention to higher value loan proposals

Governance Reforms

Enhancing effectiveness of Non-official Directors (NoDs)

NODs to perform role analogous to independent director

Boards given mandate for training of directors, both for induction and for specialised purposes

Boards given mandate to evaluate NOD performance annually on peer-review basis

Leadership development

Executive Directors' strength in larger banks raised to 4, for better functional focus and thrust to technology

Creation of leadership pipeline under BBB's Leadership Development Programme

PSBs to drive growth



Department of Financial Services
Ministry of Finance
Government of India

Repositioning PSBs for \$5 trillion economy

Wide-ranging Reforms ✓

Financially stronger PSBs ✓

Well-provisioned PSBs: 14 in profit ✓

Technology-driven banking ✓

Scale and synergy — Consolidation ✓

Governance strengthened ✓

Further capital
for:

Credit
Regulatory compliance



In crore ₹

Bank	Amount
Punjab National Bank	16,000
Union Bank of India	11,700
Bank of Baroda	7,000
Canara Bank	6,500
Indian Bank	2,500

Indian Overseas Bank	3,800
Central Bank of India	3,300
UCO Bank	2,100
United Bank of India	1,600
Punjab & Sind Bank	750

Total

55,250

Thank You