

M&A / Consolidation in Banking, current developments

ICAI Towers, Mumbai
August 11, 2018



Views expressed herein are personal views of the author

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- Past Acquisitions
- Future
- Current Topics

Customer and
Deposit

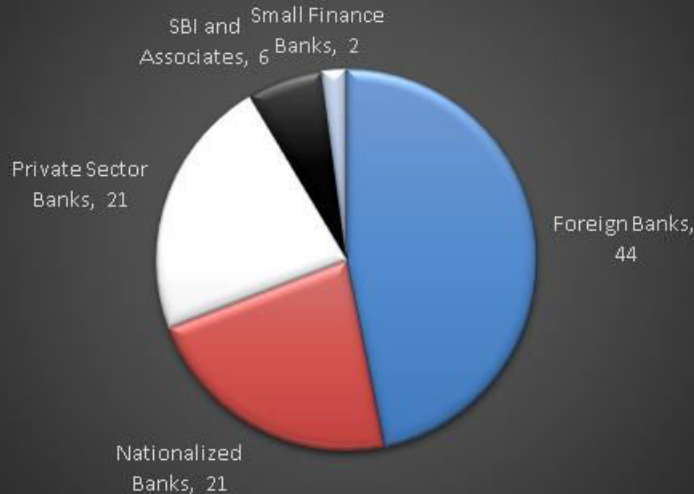


Size and Number

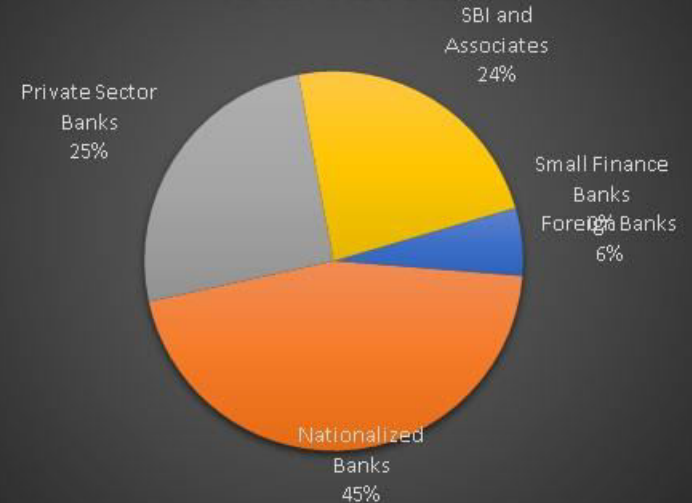


Scheduled Commercial Banks

Numbers



Total Assets



Of the 94 scheduled commercial banks, while foreign banks are larger in number, nationalized banks constitute the largest share of assets.



Largest banks by category

FOREIGN BANKS	%	NATIONALISED BANKS	%
CITIBANK N.A	18.33	PUNJAB NATIONAL BANK	11.23
STANDARD CHARTERED BANK	17.91	BANK OF BARODA	10.84
HONGKONG AND SHANGHAI BANKING CORPN.LTD.	16.12	BANK OF INDIA	9.77
DEUTSCHE BANK AG	9.40	CANARA BANK	9.10
DBS BANK LTD.	5.50	UNION BANK OF INDIA	7.06

PRIVATE BANKS	%
HDFC BANK LTD.	23.99
ICICI BANK LIMITED	21.43
AXIS BANK LIMITED	16.70
YES BANK LTD.	5.97
KOTAK MAHINDRA BANK LTD.	5.96



Largest Banks

Banks	Overall %
STATE BANK OF INDIA	19.11
HDFC BANK LTD.	6.10
ICICI BANK LIMITED	5.45
PUNJAB NATIONAL BANK	5.09
BANK OF BARODA	4.91
BANK OF INDIA	4.42
AXIS BANK LIMITED	4.25
CANARA BANK	4.12
UNION BANK OF INDIA	3.20
IDBI BANK LIMITED	2.56

There are 4 private banks in the top ten largest banks
Market cap of private banks tends to be significantly
larger than public sector banks



Market capitalization

Banks - Public Sector

Company Name	Last Price	Market Cap (Rs. cr)
SBI	250.00	223,114.69
Bank of Baroda	145.20	38,412.89
PNB	92.65	25,576.71
IDBI Bank	67.20	20,723.56
Canara Bank	261.65	19,185.35
Central Bank	71.50	18,719.81
Bank of India	104.75	18,257.70
Indian Bank	340.85	16,370.74
Union Bank	93.85	10,967.06
IOB	18.00	8,803.39
Vijaya Bank	61.05	7,961.82
Syndicate Bank	53.50	7,582.41
Oriental Bank	89.00	5,631.63
Corporation Bk	29.60	4,930.02
Andhra Bank	37.55	4,501.61
UCO Bank	19.10	4,408.58
Dena Bank	18.95	4,280.89
Allahabad Bank	47.80	4,034.53
United Bank	12.65	3,795.00
Bank of Mah	14.28	3,710.59
Punjab & Sind	34.75	1,963.07

Banks - Private Sector

Company Name	Last Price	Market Cap (Rs. cr)
HDFC Bank	1,965.00	510,305.72
Kotak Mahindra	1,241.40	236,582.90
ICICI Bank	309.25	198,814.83
Axis Bank	541.25	138,971.53
IndusInd Bank	1,851.25	111,120.68
Yes Bank	343.35	79,127.84
Bandhan Bank	493.50	58,864.92
RBL Bank	518.55	21,761.86
Federal Bank	103.50	20,418.64
IDFC Bank	45.55	15,505.71
City Union Bank	189.10	12,570.03
Karur Vysya	106.10	7,709.64
DCB Bank	198.40	6,113.15
South Ind Bk	27.00	4,883.84
Karnataka Bank	120.45	3,405.18
JK Bank	53.90	3,001.47
Lakshmi Vilas	97.75	2,502.34
Dhanlaxmi Bank	21.80	551.57
R ETF Gold BeES	2,779.44	285.18
StanChart IDR	7 62.90	109.80



Level of NPA



GNPA / NNPA – Top 5

Banks	Gross NPAs to Gross Advances Ratio (%)
State Bank of Mysore	25.68
State Bank of Patiala	23.15
State Bank of Hyderabad	20.77
State Bank of Travancore	16.79
State Bank of Bikaner & Jaipur	15.52
State Bank of India	6.90
STATE BANK OF INDIA & ITS ASSOCIATES	9.11
Indian Overseas Bank	22.39
IDBI Bank Limited	21.25
Central Bank of India	17.81
UCO Bank	17.12
Bank of Maharashtra	16.93
NATIONALISED BANKS	12.95
Jammu & Kashmir Bank Ltd	11.20
ICICI Bank	8.74
Catholic Syrian Bank Ltd	7.25
Axis Bank	5.21
Nainital Bank	5.01
Dhanlaxmi Bank	4.78
PRIVATE SECTOR BANKS	4.05
Royal Bank of Scotland N.V.	99.20
JSC VTB Bank	54.57
Sberbank	43.41
Cooperatieve Rabobank U.A.	22.08
SBM Bank(Mauritius) LTD	16.12
Sonali Bank	15.39
FOREIGN BANKS	3.96

Bank	Net NPA to advances
State Bank of Mysore	15.03
State Bank of Patiala	14.06
State Bank of Hyderabad	11.63
State Bank of Bikaner & Jaipur	9.93
State Bank of Travancore	9.46
State Bank of India	3.58
STATE BANK OF INDIA & ITS ASSOCIATES	
Indian Overseas Bank	12.60
IDBI Bank Limited	11.97
Bank of Maharashtra	11.06
Dena Bank	9.98
United Bank of India	9.35
NATIONALISED BANKS	7.90
Catholic Syrian Bank Ltd	5.41
ICICI Bank	5.23
Jammu & Kashmir Bank Ltd	4.53
Karnataka Bank Ltd	2.59
Dhanlaxmi Bank	2.52
PRIVATE SECTOR BANKS	2.00
JSC VTB Bank	54.56
Sberbank	29.45
Cooperatieve Rabobank U.A.	8.33
Sonali Bank	5.31
SBM Bank(Mauritius) LTD	5.28
FOREIGN BANKS	0.5

NPAs in system

Official data as of March 2017

- Total Gross NPAs are in excess of Rs 7,90,000 Crores [Rs 8,40,958 Crores as of Dec 2017]
- Out of the above, More than Rs 6,80,000 Crores is in Nationalised banks and SBI entities [Rs 7,34,000 Crores as of Sep 2017]

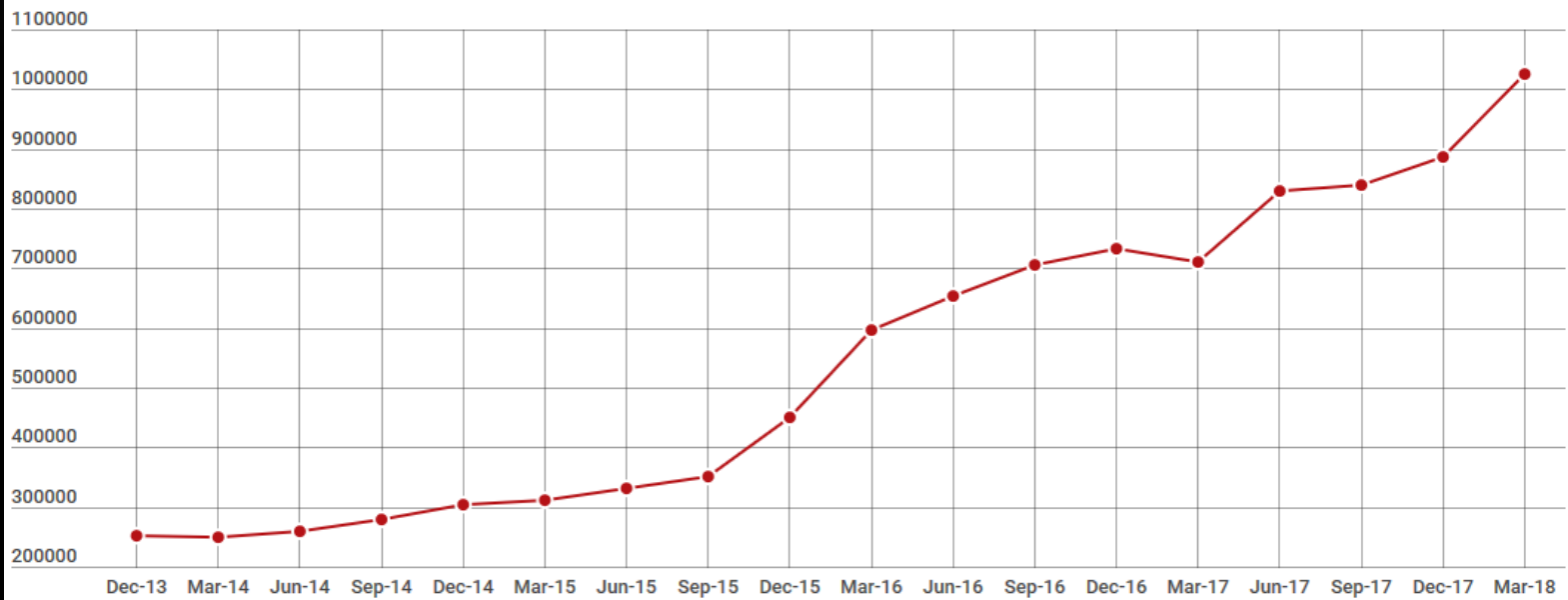
- Total net NPAs are in excess of Rs 4,33,000 Crores
- Total net NPAs are in excess of Rs 3,83,000 Crores in Nationalised banks and SBI entities

- March 2018: Gross NPAs at Rs 10.25 lakh crore (Nationalised and SBI: Rs 8.97 Lakh Crore)
- March 2018: Net NPAs at Rs 5.18 Lakh Crore



NPA Growth

Gross NPAs in Rs cr



Potential benefits

- Ability to manage borrowers better
- Negotiate settlements more effectively
- Good Bank – Bad bank offset



Multiples of Banks

Sr	Company	Last Price	Change	% Chg	CEPS *	EPS *	P/C	P/E
1	Dhanlaxmi Bank	20.70	-0.35	-1.66	0.85	0.04	24.35	517.50
2	Axis Bank	553.20	5.55	1.01	1.07	1.07	517.01	517.01
3	Kotak Mahindra	1,265.45	18.20	1.46	21.43	21.43	59.05	59.05
4	RBL Bank	518.10	-0.95	-0.18	15.13	15.13	34.24	34.24
5	IndusInd Bank	1,894.15	8.10	0.43	60.07	60.07	31.53	31.53
6	HDFC Bank	2,010.65	20.95	1.05	67.34	67.34	29.86	29.86
7	ICICI Bank	311.10	4.10	1.34	10.54	10.54	29.52	29.52
8	Lakshmi Vilas	95.15	-1.05	-1.09	5.38	3.50	17.69	27.19
9	DCB Bank	190.30	-2.05	-1.07	7.96	7.96	23.91	23.91
10	City Union Bank	187.50	-1.60	-0.85	9.35	8.56	20.05	21.90
11	Federal Bank	90.05	0.60	0.67	4.45	4.45	20.24	20.24
12	Yes Bank	349.95	5.25	1.52	18.33	18.33	19.09	19.09
13	IDFC Bank	43.85	0.10	0.23	3.00	2.52	14.62	17.40
14	South Ind Bk	25.55	-0.25	-0.97	2.00	1.64	12.78	15.58
15	Karur Vysya	100.00	0.45	0.45	8.24	7.06	12.14	14.16
16	Karnataka Bank	113.50	0.90	0.80	17.78	16.02	6.38	7.08

Sr	Company	Last Price	Change	% Chg	CEPS *	EPS *	P/C	P/E
1	SBI	250.90	2.95	1.19	7.04	4.47	35.64	56.13
2	Bank of Baroda	142.50	3.70	2.67	5.05	3.12	28.22	45.67
3	Canara Bank	246.35	-2.30	-0.92	16.08	11.62	15.32	21.20
4	PNB	88.65	-2.65	-2.90	6.60	5.06	13.43	17.52
5	Indian Bank	318.05	4.05	1.29	29.66	26.21	10.72	12.13
6	Vijaya Bank	59.25	-0.85	-1.41	5.57	5.57	10.64	10.64



Branch and ATM Network



Branch and ATM network

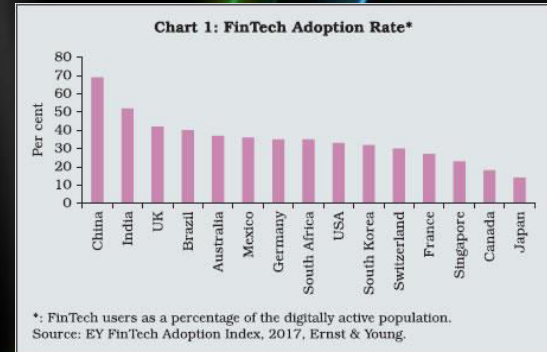
Sr.No.	Name of the Bank	Branches Total	ATMs Total	Sr. No.	Name of the Bank	Branches Total	ATMs Total
	Public Sector Banks	91,445	1,48,555		Private Sector Banks	24,661	58,833
	Nationalised Banks	67,434	89,292	1	ICICI Bank Ltd.	4,850	13,882
1	Punjab National Bank	6,504	10,681	2	HDFC Bank Ltd.	4,712	12,260
2	Canara Bank	6,092	10,519	3	Axis Bank Ltd.	3,299	14,163
3	Bank of Baroda	5,423	10,520	4	Kotak Mahindra Bank Ltd.	1,369	2,163
4	Bank of India	5,071	7,717	5	Federal Bank Ltd.	1,241	1,667
5	Central Bank of India	4,718	5,285	6	IndusInd Bank Ltd.	1,211	2,036
6	Union Bank of India	4,274	7,518	7	Yes Bank Ltd.	1,001	1,785
7	Syndicate Bank	3,951	3,973	8	Jammu and Kashmir Bank Ltd.	866	1,096
8	Indian Overseas Bank	3,383	3,679	9	South Indian Bank Ltd.	850	1,320
9	Allahabad Bank	3,245	1,214	10	Bandhan Bank Ltd.	840	282
10	UCO Bank	3,073	2,779				
11	Andhra Bank	2,919	3,929	Sr. No.	Name of the Bank	Branches Total	ATMs Total
12	Indian Bank	2,617	3,358		Foreign Banks	288	966
13	Corporation Bank	2,457	3,169	1	Standard Chartered Bank	100	249
14	Oriental Bank of Commerce	2,382	2,621	2	Citibank N.A.	40	557
15	Vijaya Bank	2,030	2,001	3	Hongkong and Shanghai Banking Corpn.Ltd.	26	98
16	United Bank of India	2,012	2,123	4	Deutsche Bank A.G.	17	32
17	IDBI Bank Ltd.	1,995	3,537	5	DBS Bank Ltd.	12	30
18	Bank of Maharashtra	1,897	1,878	6	BNP Paribas	8	-
19	Dena Bank	1,783	1,538	7	Barclays Bank Plc	6	-
20	Punjab and Sind Bank	1,504	1,253	8	Shinhan Bank	6	-
21	Bhartiya Mahila Bank	104	-	9	Credit Agricole Corporate and Investment Bank	5	-
	State Bank Group	24,011	59,263	10	Mizuho Bank Ltd.	5	-
22	State Bank of India	17,167	50,188				
23	State Bank of Hyderabad	1,924	2,365				
24	State Bank of Patiala	1,343	1,527				
25	State Bank of Bikaner and Jaipur	1,316	2,018				
26	State Bank of Travancore	1,187	1,739				
27	State Bank of Mysore	1,074	1,426				

Fintech and Payment Banks



FinTech

- India and China have highest FinTech penetration
- Fintech adoption will drive future valuations



Payment Banks

Original License allottees

- Aditya Birla Nuvo
- Airtel M Commerce Services
- Cholamandalam Distribution Services
- India Post
- Fino PayTech
- National Securities Depository
- Reliance Industries
- Vodafone M-Pesa
- Paytm
- Tech Mahindra
- Sun Pharmaceuticals

Feature	Payments banks	Traditional banks	Wallets
Making deposits	✓	✓	✓
Interest on deposits	✓	✓	✗
Withdrawal facility	✓	✓	✗
Availing of loans	✗	✓	✗
Credit cards	✗	✓	✗
Buying investment products	✓	✓	✗
Deposit limit	₹1 lakh	No limit	-

Technology and Customer Base will drive future acquisitions



Other considerations

- NBFCs
- Wallets



Past Consolidations



Acquisitions in past

Name of the acquiring bank	Bank targeted	Year
Kotak Mahindra Bank	ING Vyasa Bank	2014
ICICI Bank	Bank of Rajasthan Ltd.	2010
HDFC Bank	Centurion Bank of Punjab	2008
Indian Overseas Bank	Bharat Overseas Bank	2007
Federal Bank	Ganesh Bank of Kurandwad	2006
Industrial Development Bank of India	United Western Bank	
Centurion Bank of Punjab	Lord Krishna Bank	
ICICI Bank	Sangli Bank	
Bank of Punjab	Centurion Bank	2005
Industrial Development Bank of India	IDBI Bank Ltd.	2004
Bank of Baroda	South Gujarat Local Area Bank	
Oriental Bank of Commerce	Global Trust Bank	
Punjab National Bank	Nedungadi Bank Ltd.	2003
ICICI Bank	ICICI Ltd.	2002
Bank of Baroda	Banaras State Bank Ltd.	
ICICI Bank	Bank of Madura	2001
HDFC Bank Ltd.	Times Bank Ltd.	2000
Bank of Baroda	Bareilly Co-op Ltd.	1999
Union Bank of India	Sikkim Bank Ltd.	
Oriental Bank of Commerce	Bari Doab Bank Ltd.	1997
Oriental Bank of Commerce	Punjab Co-op Ltd.	1996
State Bank of India	Kashinath State Bank	1995
Bank of India	Bank of Karad Ltd.	1994
Punjab National Bank	New Bank of India	1993



Future



Potential for takeover/mergers

By assets

Sr. No.	Name of the Bank	Branches Total	ATMs Total
Private Sector Banks		24,661	58,833
1	ICICI Bank Ltd.	4,850	13,882
2	HDFC Bank Ltd.	4,712	12,260
3	Axis Bank Ltd.	3,299	14,163
4	Kotak Mahindra Bank Ltd.	1,369	2,163
5	Federal Bank Ltd.	1,241	1,667
6	IndusInd Bank Ltd.	1,211	2,036
7	Yes Bank Ltd.	1,001	1,785
8	Jammu and Kashmir Bank Ltd.	866	1,096
9	South Indian Bank Ltd.	850	1,320
10	Bandhan Bank Ltd.	840	282

Payment Banks

Airtel Payments Bank Limited
India Post Payments Bank Limited
Fino Payments Bank Limited
Paytm Payments Bank Limited
Jio Payments Bank Limited
Aditya Birla Idea Payments Bank Limited

PRIVATE BANKS	%
HDFC BANK LTD.	23.99
ICICI BANK LIMITED	21.43
AXIS BANK LIMITED	16.70
YES BANK LTD.	5.97
KOTAK MAHINDRA BANK LTD.	5.96

Potential Acquirees from above?

What about -
Payment Banks
Wallets



Recent news

- LIC Stake in IDBI
- ICICI and Axis Bank
- HDFC Bank
- Nationalized Banks – optimal size



Banks – Current Topics



Key current topics

NPA's, Electronification of trade finance

RBI has placed eleven banks under prompt corrective action

- Dena Bank,
- Central Bank of India,
- Bank of Maharashtra,
- UCO Bank,
- IDBI Bank,
- Oriental Bank of Commerce,
- Indian Overseas Bank,
- Corporation Bank,
- Bank of India,
- Allahabad Bank and
United Bank of India



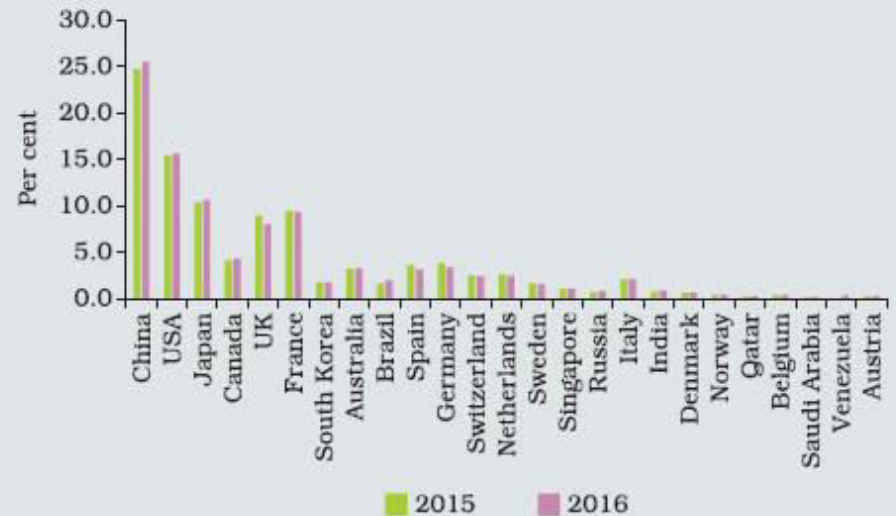
Worlds largest banks

Distribution of the World's Largest Banks: Capital and Assets

a. Distribution of Top 100 Banks by Tier-1 Capital



b. Share of Countries in Assets of Top 100 Banks



Source: The Financial Times' Banker Database.



Thank you

