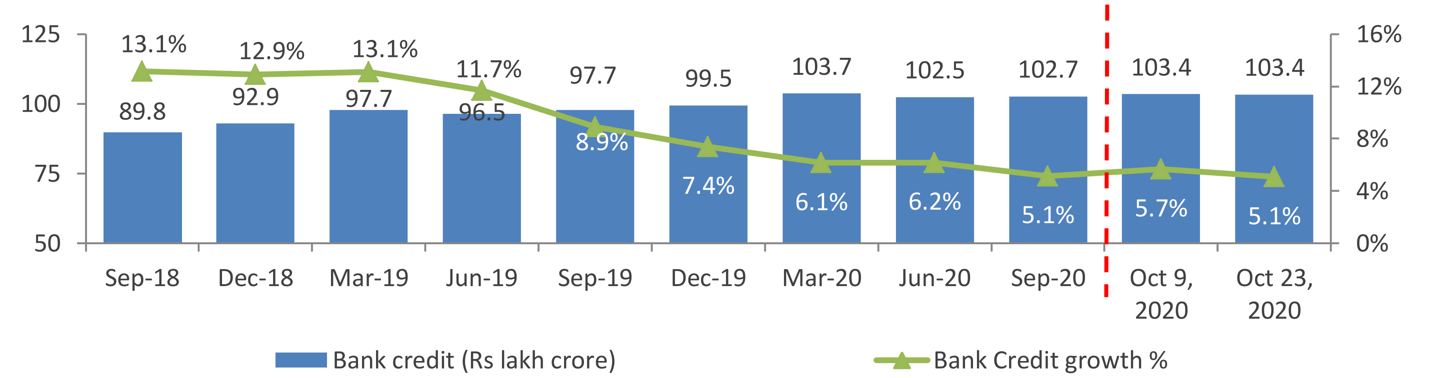
Banking Review

November 12, 2020

Credit and Deposit growth moderates further as compared to the last fortnight

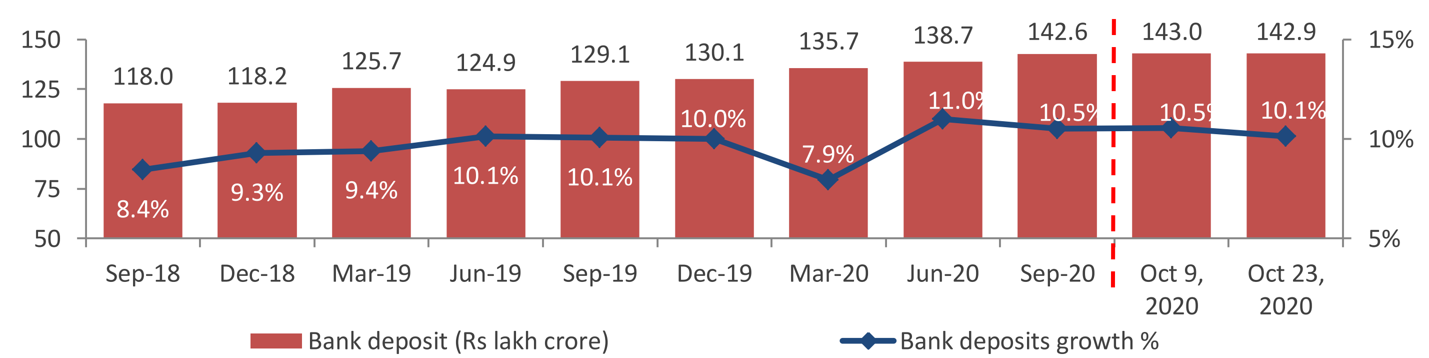
Figure 1: Growth of Bank Credit (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- As can be seen in Figure 1, the overall credit growth in the banking sector continued to moderate over the last fortnight. Despite the festive season and banks offering various festival offers to push retail credit, the bank credit growth decelerated during the fortnight ended October 23, 2020 reflecting risk aversion in the banking system towards corporate segment. The credit growth was at 8.9% during the same period last year (as of October 25, 2019 and October 11, 2019). Also, SCBs are being very selective with their credit portfolios due to asset quality concerns. On the other hand, the SLR investments grew at 20.6% YoY compared with 7.2% in the year-ago period (refer Figure 8).
- Despite the overall slow growth in incremental bank credit, disbursements to MSMEs continued to be strong under the Emergency Credit Line Guarantee Scheme ("ECLGS scheme"). Out of Rs.3.0 lakh crores of ECLGS for MSMEs, banks have sanctioned Rs. 2.03 lakh crores out of which Rs. 1.48 lakh crores has been disbursed till October 2020 (which is higher than gross bank credit growth of Rs.0.75 lakh crores in absolute terms from May 2020 to September 2020. Additionally, the scheme has been extended by one month to November-end to enable MSME's avail additional funds under this scheme.

Figure 2: Growth of Bank Deposits (y-o-y growth %)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- Growth in deposits reduced marginally to 10.1% (as of October 23, 2020) compared with 10.2% in the year ago period (October 25, 2019) and 10.5% as compared with the previous fortnight (October 9, 2020). Moreover, the liquidity surplus in the banking system for the fortnight ended October 09, 2020 stood at around Rs. 4.0 lakh crore. However, due to the Covid-19 outbreak and risk aversion, the available liquidity has largely been invested in SLR securities.
- Additionally, the banking system liquidity is expected to remain in a surplus position aided by sustained growth in bank deposits as against slower growth in the bank credit growth. However, the liquidity surplus will continue to be weighed down by upcoming government borrowings (Central: Rs 31,000 crores and states: Rs 13,500 crores).
- As given in Figure 3, time deposits account for 89.5% of aggregate deposits (89.5% share as on October 25, 2019) grew at a similar pace compared to demand deposits which account for the balance 10.5% (10.5% share as on October 25, 2019).

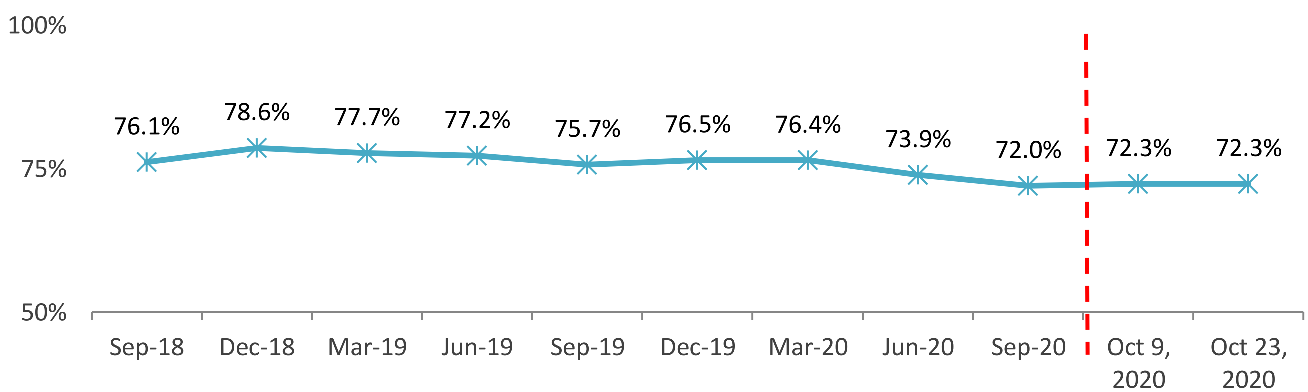
Figure 3: Demand Deposits and Time Deposits growth trend

Rs in lakh crore	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Oct 9, 2020	Oct 23, 2020
Demand Deposits	13.1	11.9	15.1	12.9	14.1	13.5	16.2	14.5	15.8	14.7	15.1
% growth y-o-y	5.9%	4.9%	10.3%	9.6%	7.6%	13.8%	7.0%	12.7%	11.9%	9.6%	10.6%
Time Deposits	104.9	106.3	110.6	112.0	115.0	116.5	119.5	124.1	126.9	128.3	127.9
% growth y-o-y	8.4%	9.7%	10.0%	10.1%	9.6%	9.7%	8.1%	10.8%	10.3%	10.7%	10.1%

Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

- The Credit to Deposit (CD) ratio has stood at a similar level during the last two fortnights ended October 9, 2020 and October 23, 2020 (75.8% in the year-ago period) due to slower growth in credit. On the other hand, if we assume credit investments to be at Rs.8.5 lakh crores for the fortnight ended October 23, 2020 (At August 2020 level as per latest data released by RBI), and then the CD ratio would have been ~78%. On the other hand, if we assume the CD ratio to be constant at 76.0% (which was last observed in Mar-20) for the fortnight ended October 23, 2020, the incremental lending (considering only bank credit) would have been higher by approximately Rs.5.0 lakh crore.

Figure 4: Credit to Deposit (CD) ratio trend

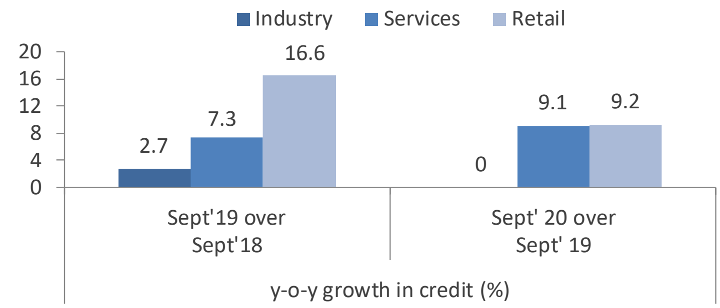


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI, CARE Ratings

Bank credit growth has been mainly led by disbursements in ECLGS scheme

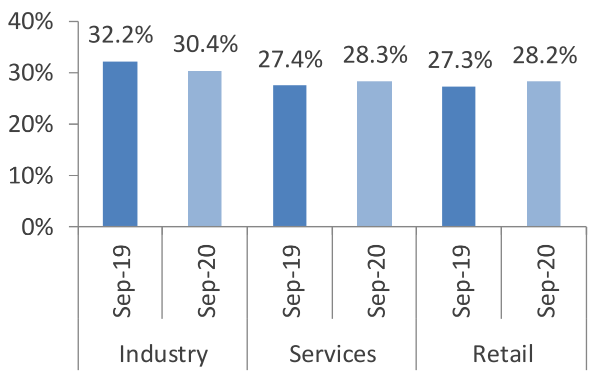
- During September 2020, the retail segment registered a growth of 9.2% in September 2020 on y-o-y basis and accounted for 28.2% share of the total credit during the period as compared to 27.3% during the period one year ago.
- Services segment outstanding credit grew by 9.1% and industrial segment registered a nil growth during the same period.

Figure 5: Trend in sectoral credit growth (%)



Source: RBI, CARE Ratings (refer report '[Bank Credit Profile: September 2020 - Supported by ECLGS scheme]')

Figure 6: Sectoral Distribution of Credit: September 2020



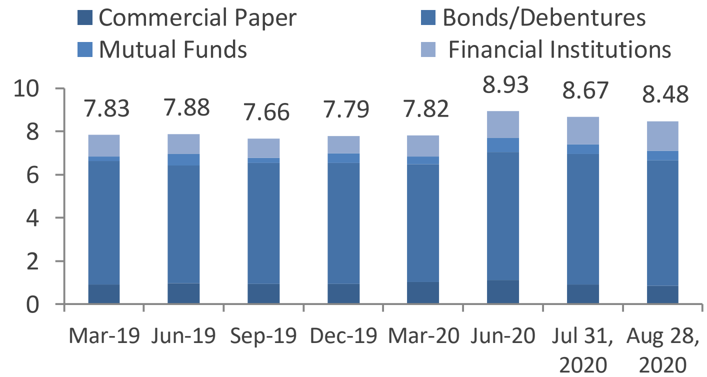
Note: The remaining percentage share in both Sept-19 and Sept-20 accounts for 'Food Credit' and 'Agriculture & Allied Activities'
Source: RBI, CARE Ratings (refer report '[Bank Credit Profile: September 2020 - Supported by ECLGS scheme]')

- The share of industrial segment continues to be the highest in the total outstanding credit followed by services and retail segment.
- Large industries account for 82.7% share (83.2% share in September 2019) in the total outstanding credit to industries and growth in this segment reported a reduction of 0.6% in September 2020 as compared with a growth of 3.4% in September 2019.
- Micro, small & medium industries grew 3.2% in September 2020 as compared with de-growth of 0.6% in previous year. In absolute terms the outstanding credit for micro, small and medium industries grew from Rs. 4.6 lakh crores in September 2019 to Rs. 4.8 lakh crores in September 2020. Under Rs. 3 lakh crores of Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs, banks have sanctioned Rs. 2.03 lakh crores till October 2020. Also, the government has extended the ECLGS Scheme till November 30, 2020 or till Rs. 3 lakh crores is sanctioned under the scheme (whichever is earlier).
- Though infrastructure has the maximum share of 36.6% in the total bank credit outstanding to industries, it registered a muted growth of 1.1% as of September 2020 as compared with 7.2% a year ago.
- Tourism, Hotels and restaurants segment registered highest growth of 19.7% (8.2% in September 2019), followed by NBFC segment with a growth of 12.5% in September 2020 (30.5% in September 2019). Of total 9 segments, 8 segments registered growth.
- In the service sector, NBFCs continue to form the largest part in the total credit outstanding to the services sector at 31.2% (30.2% share in September 2019) followed by trade (22.0%) and commercial real estate (8.9%).
- Housing loans continues to remain the single largest segment of lending in outstanding credit to retail/personal loan portfolio. Housing loans segment growth has slowed to 8.5% in September 2020 as compared with 19.3% in September 2019 and formed ~53.0% share of the total credit outstanding in the retail/personal loan segment.

Bank credit investments increased from a year-ago level

- SCBs credit investments increased by 9.0% in August, 2020 compared with the same period in the previous year (August 2019) aided by LTRO, TLTRO, PCG schemes of RBI/Government of India.
- Additionally, SCBs credit investments stood at 8.3% of the total bank credit, as of August 28, 2020 compared to 8.0% in August 2019.
- Bonds and debentures accounted for the highest share in SCBs credit investments at 68.5% in August 2020 (vs. 69.3% share in August 2019), followed by financial institutions and CPs at 16.2% and 10.1%, respectively (11.6% and 12.3% respectively in August 2019) and mutual funds at 5.2% (6.8% in the year-ago period).
- Within bonds and debentures, private corporate bonds and debentures accounted for 52.7% share of bonds/debentures; the public sector accounted for 21.4% and the balance 25.9% is made up by others.
- In April-September 2020, the total corporate bond issuances amounted to Rs.3.79 lakh crores, 34% higher than Rs.2.84 lakh crores in the same period last year. Nearly 40% of the issuances have been raised by public sector undertakings (PFC, REC, HUDCO, NABARD, NHB, NTPC, NHAI, EXIM, and IRFC among others). (refer report 'Debt Market Updates for September 2020')

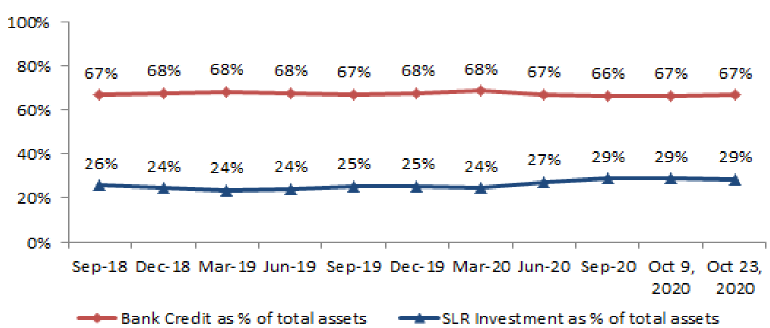
Figure 7: SCBs Credit Investment (Rs in lakh crores)



Source: RBI

Proportion of SLR investment and bank credit to total assets remained stable

Figure 8: Proportion of SLR Investment and Bank Credit to Total Assets



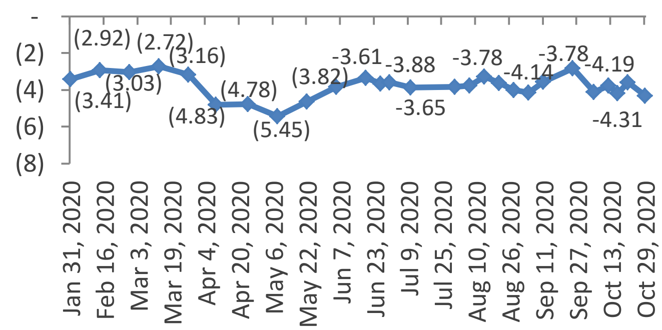
Note: The quarter end data reflects the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CARE Ratings

- The share of bank credit to total assets remained stable as compared with previous fortnight but has declined (by 1%) as compared to Mar-20.
- Considering credit investment to be at ~Rs.8.5 lakh crores (August 2020 level), the bank credit to total assets (including credit investments) would be ~72% in the fortnight ended October 23, 2020.
- Proportion of SLR investment to total assets has increased from Mar-20 and stood at 29% for the fortnight ended October 23, 2020. The SLR investments grew at 20.6% YoY compared with 7.2% in the previous year due to banks increased preference for government securities and as RBI has allowed banks to hold fresh acquisitions of SLR investments under HTM.

Liquidity in the banking system continued to remain in surplus position

- As given in figure 9; during the month of October 2020, the liquidity surplus has recorded a notable improvement of Rs 1.2 lakh crore. After dipping to Rs 3.6 lakh crores on October 22, 2020 owing to outflows towards festive season demand and GST payments, the banking system liquidity remained above Rs.4 lakh crores on all days throughout the previous week.
- Government borrowings during October (Central: Rs.0.79 lakh crores and states: Rs.0.86 lakh crores) along with outflows towards festive season demand and month-end business requirements by the corporate entities limited the banking system liquidity surplus.
- Also, the notable widening of liquidity surplus can be ascribed to deposit growth outpacing credit growth persistently.
- As mentioned above, the liquidity surplus is approximate to reduction in Credit Deposit ratio, indicating that the liquidity largely arises out of the credit slowdown.

Figure 9: Net repo outstanding transactions (Rs lakh crore)



Net Repo Outstanding Transactions = Total Repo +MSF (Marginal Standing Facility) + SLF (Standing Liquidity Facility) – Total Reverse Repo; refer report '[Weekly Liquidity Report: October 26 - 29, 2020]'; dated November 02, 2020
Source: RBI

Yields of G-secs and corporate bonds rose in secondary market

Figure 10: Issuer-wise corporate bond yields in the primary markets (in %)

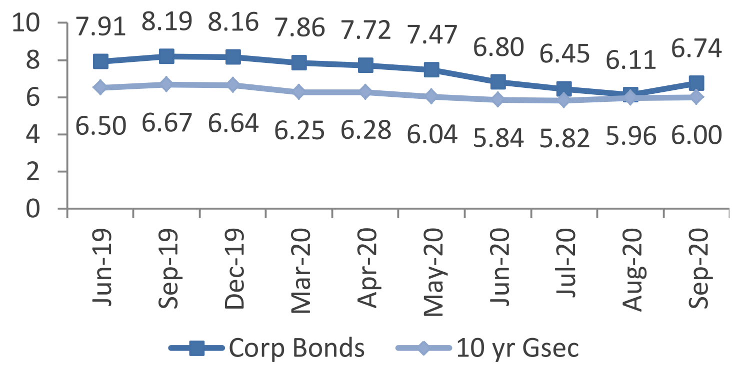
AAA rated	AIFs	HFCs	NBFCs	Others*
Sep-19	7.57	7.35	8.19	7.75
Dec-19	7.74	7.36	8.34	6.72
Mar-20	7.30	7.70	7.57	7.62
Jun-20	6.86	6.62	7.03	6.95
Jul-20	6.06	7.28	7.25	8.31
Aug-20	6.00	5.41	5.93	6.74
Sep-20	6.84	6.04	4.96	6.20

*Note: *Others include banks and manufacturing companies. Source: Prime Database; CARE Ratings' Calculation*

- As given in '[Debt Market Updates for September 2020]'; the weighted average yield of corporate bond issuances across all rating categories and maturities increased by 7 basis points to 7.81% compared with the previous month (7.74% in August 2020). It was 31 bps lower than the 8.12% weighted average yield in September 2019.
- The cost of issuances for key segments, i.e. All India Financial Institutions (AIFs), Housing Finance Companies (HFCs), Non-Banking Financial companies (NBFCs) and Non-NBFCs in the AAA rating category and the consequent changes in the yields shows mixed picture. When compared with August 2020, the weighted average yields of AIFs increased by 84 bps to 6.84% in September 2020 due to higher debt issuances. The cost of borrowings by AAA rated HFCs too increased by 63 bps to 6.04% again due to increase in debt issuances while that for NBFCs fell by 97 bps to 4.96%.

- The secondary market yields of government and corporate debt securities (across all rating categories and maturities) rose in September 2020 from month ago.
- The average yield of the 10 year benchmark GSec rose by 4 bps to 6% in September 2020 from that in August 2020 and was the highest in 4 months. The rise in yields can be attributed to lower demand amid huge supply of government papers and lowered expectation of interest rate cuts by the RBI with inflation being at elevated levels. At the same time, markets expectation that the RBI would absorb the high supply of government securities limited to an extent the rise in yields.
- Corporate bond yields (weighted average yields across all rating categories and maturities) at 6.74% in September 2020 was 63 bps higher than in August 2020. This can be ascribed to the higher demand for corporate debt securities from banks and mutual funds. Demand from banks has been aided by the sustained liquidity surplus.

Figure 11: Secondary Market Yields: Gsecs and Corporate Bonds (in %)



Source: FBIL, RBI, FIMMDA and CARE Ratings calculations. Corporate Bonds yields are the weighted average yields across rating categories

Corporate bond spreads improved in September 2020

Figure 12: Corporate Bond Spreads over GSec: 10-year maturity

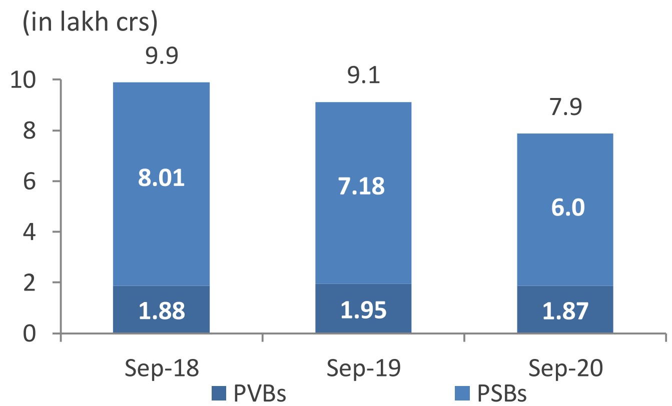
Month end (%)	Gsec yield	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-
28-Jun-19	6.88	1.25	1.56	1.84	2.21	2.91	3.91	4.21	5.21	5.46	5.96
30-Sep-19	6.70	1.05	1.39	1.69	2.02	3.02	3.72	4.02	5.02	5.27	5.77
31-Dec-19	6.56	1.01	1.31	1.56	1.92	3.32	3.62	4.42	4.92	5.17	5.67
31-Mar-20	6.14	0.81	1.13	1.53	1.73	2.73	3.23	3.73	3.98	4.23	4.48
30-Jun-20	5.89	0.86	1.38	1.81	2.20	3.20	3.70	4.20	4.45	4.70	4.95
31-Jul-20	5.83	0.75	1.26	1.64	2.04	3.54	3.79	4.54	4.79	5.04	5.54
31-Aug-20	6.12	0.73	1.18	1.57	1.98	3.48	3.73	4.48	4.73	4.98	5.48
30-Sep-20	6.02	0.75	1.24	1.52	1.97	3.47	3.72	4.47	4.72	4.97	5.47

Source: FIMMDA

- The risk perception of the higher rated corporate bonds (AAA and AA+) rose in September 2020 from that in August 2020 as was indicated by the widening of the yield spread between these corporate bonds and government securities of comparable maturity (10 years).
- The comparison of yield spreads on the last day of September 2020 with that of end August 2020 showed that the yield spreads for corporate bonds rated AAA rose by 2 bps and those rated AA+ increased by 5 bps. The yield spreads of the bonds rated AA- to BBB- fell by 1 bps each during this period.

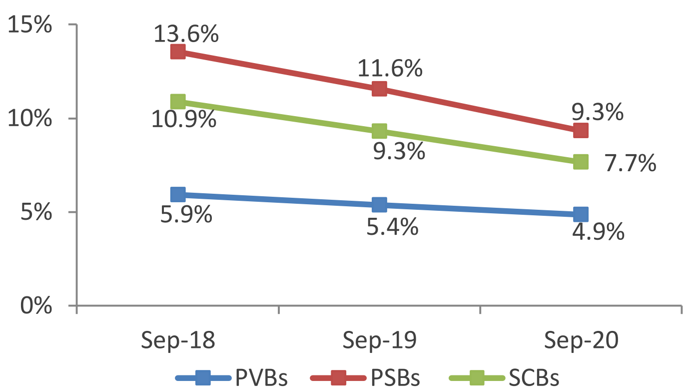
All banks (PSBs and PVBs) posted lower gross NPAs in Sept-end quarter

Figure 13: Value of gross NPAs



Note: Figure 13 represents data of 30 SCBs (19 PVBs and 11 PSBs) based on the Quarterly results released till 9th Nov 2020; Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

Figure 14: GNPA ratio



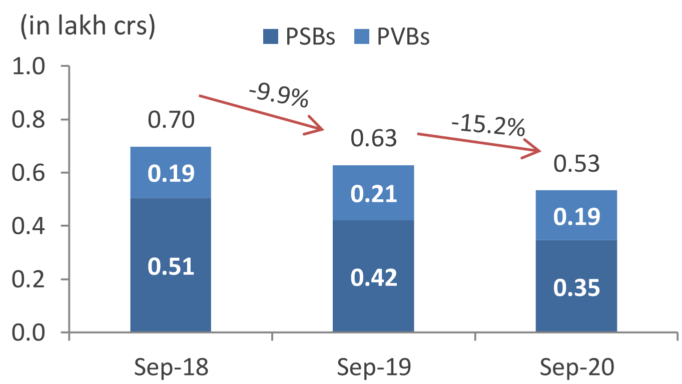
Note: Figure 14 represents data of 30 SCBs (19 PVBs and 11 PSBs) based on the Quarterly results released till 9th Nov 2020; Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

- The quantum of gross NPAs of SCBs declined during the quarter as compared with the same quarter in the previous year. The gross NPA of PSBs contracted between Sept-18 to Sept-20. Among PSBs, the State Bank of India (SBI) which accounts for the highest share at ~21.0% of the GNPAs of PSBs in Q2FY21 reported the highest asset quality improvement, with a decline in GNPA ratio to 5.3% in Sept-20 vs 7.2% in Sept-19; followed by Punjab National Bank accounting for ~16% share which also posted lower GNPA ratio at 13.4% in Sept-20 vs 16.8% in Sept-19.
- The GNPA ratio of SCBs improved to 7.7% in the quarter ended Sept-20 against 9.3% in the year-ago period and 8.2% in the Jun-end quarter which was largely driven by PSBs. On an overall basis PSBs accounting for ~75% share of GNPAs of SCBs have experienced a drop in the GNPA ratio to 9.3% in the quarter ended Sept-20 against 11.6% in the year-ago period and 9.8% in Jun-20 quarter.
- The improvement in asset quality (GNPA reduction) has been due to recoveries (e.g. SBI Bank: Rs.4,038 crores, ICICI Bank: Rs 1,945 crores, Bank of Baroda: Rs.1,642 crores, Union Bank of India: Rs.1,218 crores, Bank of India: Rs.1,172 crores, Central Bank of India: Rs.907 crores, Indian Bank: Rs.795 crores, Bank of Maharashtra: Rs.556 crores and Canara Bank: Rs.449 crores) and higher write-offs by the multiple banks. e.g. SBI Bank (Rs.5,617 crores), Punjab National Bank (Rs.4,555 crores), Bank of Baroda (Rs.2,553 crores), ICICI Bank (Rs.2,469 crores), Canara Bank (Rs.2,342 crores) and Axis Bank (Rs.1,812 crores).
- Additionally, now that the moratorium offered by the banks has been lifted on September 01, 2020, the after-effect and the impact on the banks' balance sheets may be witnessed in the latter part of the year and subsequent period. Furthermore, the Supreme Court has ordered all banks to not classify Covid-19 related defaults as NPAs until further notice, or else the NPAs would have been higher. However, following this many banks have kept aside extra provisioning for NPAs that may arise in future.
- As the ongoing Covid-19 pandemic is significantly impacting businesses across the board, RBI has been announcing several measures one of which is one-time restructuring of loans (OTR) which is divided across three segments, corporate loans, MSME loans and personal loans. This would help mitigate the Covid-19 impact on the asset quality of the SCBs.

Provisions decreased compared to last year level

- Provisions of SCBs in the Sept-end quarter declined to Rs.0.53 lakh crores, lowest in the last two years. This was owing to significant fall in provisioning made by PSBs as can be seen in figure 15.
- Previously, following the outbreak of Covid-19, RBI had mandated all banks to make 10% additional provisioning over a period of two quarters (5% each in March and June 2020 quarters) on loan accounts where moratorium benefit had been extended, which resulted in banks providing higher additional provisions beyond the RBI's mandatory rate during both the quarters (provisioning of Rs.0.33 lakh crores by PVBs and Rs.0.50 lakh crores by PSBs in Mar-20; and in the quarter ended Jun-20 PVBs made provisioning of Rs.0.25 lakh crores and PSBs- Rs.0.38 lakh crores).
- The banks which have provided lesser provisions owing to lower slippages during the quarter include SBI (Rs.10,118 crores in Sept-20 vs Rs.13,139 crores in Sept-19), Union Bank Of India (Rs.4,144 crores in Sept-20 vs Rs.5,894 crores in Sept-19 - includes merged banks - Andhra Bank and Corporation Bank), Bank Of Baroda (Rs.3,002 crores in Sept-20 vs Rs.4,210 crores in Sept-19 - includes merged banks - Dena Bank and Vijaya Bank), IDBI Bank Ltd (Rs.581 crores in Sept-20 vs Rs.5,641 crores in Sept-19) and The Jammu & Kashmir Bank Ltd (Rs.325 crores in Sept-20 vs Rs.1,428 crores in Sept-19).
- The SMA-1 and SMA-2 of SCBs has been higher compared to Jun-end quarter and lower as compared with previous year (eg: SBI, Central Bank of India, Bank of Maharashtra), which could be a problem going ahead.
- In the coming quarter's provisions of SCBs are likely to remain elevated on account of recognition of stressed assets owing to Covid-19 and its disruptions affecting the businesses which could impact the financial performance.

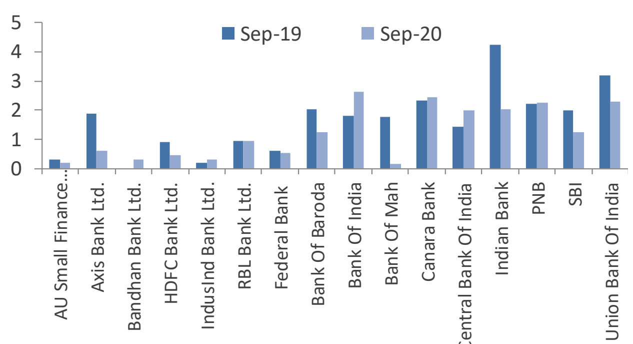
Figure 15: Provisions



Source: Bank quarterly filings, Ace Equity, CARE Ratings Calculations

Most of the banks witnessed a decline in credit cost

Figure 16: Trend in credit cost (%)

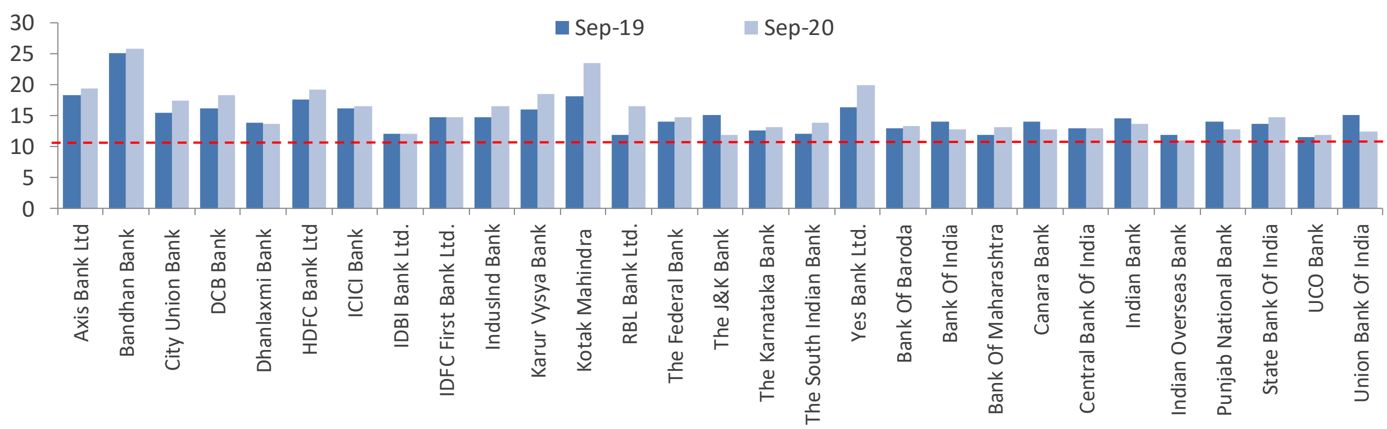


Note: Based on the availability of data, 16 SCBs have been considered; Source: Bank quarterly filings, CARE Ratings

- Out of the sample set included in figure 16, the credit cost of PVBs range between 0.2% to 1.0% and PSBs 0.1% to 2.6% during the quarter ended Sept-20.
- Bank of India, Canara Bank, Central Bank of India, and IndusInd Bank registered higher credit cost at 2.62%, 2.43%, 1.98%, and 0.31% respectively, in Sept-20 compared with 1.82%, 2.32%, 1.43% and 0.18% in Sept-19 on account of higher provisions for bad loans.
- Whereas, Bank of Baroda, SBI, Indian Bank and Axis Bank along with few others registered fall in credit cost in Sept-20 compared with year-ago period mainly owing to bad loans written off.

CAR norms generally met by banks

Figure 17: CAR% range of SCBs



Note: Figure 17 represents data of SCBs (18 PVBs and 11 PSBs) based on the Quarterly results released till 9th Nov 2020; Source: Banks performance results, Ace Equity, CARE Ratings

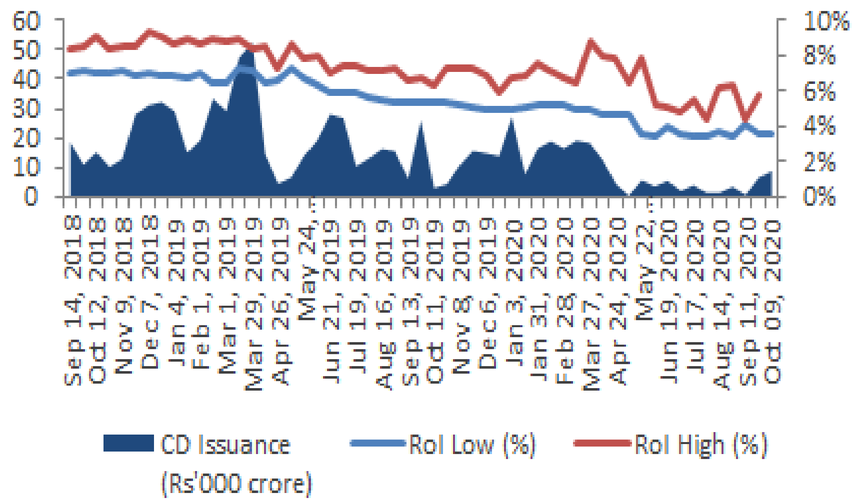
- As per Basel III regulations, all SCBs were required to maintain a CAR of 11.5% from March 31, 2020 onwards (CAR of 9.0% along with capital conservation buffer (CCB) of 2.5%).
- However, in view of the continuing stress on account of Covid-19, RBI on September 29, 2020 deferred the implementation of the last tranche of 0.625% of the Capital Conservation Buffer (CCB) from September 30, 2020 to April 1, 2021. The RBI had earlier deferred the implementation by six months from March 31, 2020. Currently, the required CAR stands at 10.875%.
- Further, systemically important banks needs to maintain an additional requirement of over and above the 10.875% CAR (which includes SBI: 0.6%, HDFC: 0.2% and ICICI Bank: 0.2%). As can be seen in Figure 18, all SCBs reported CAR higher than the minimum regulatory requirement as on Sept-20.
- However, owing to the challenging business environment banks have been increasing their capital base, as listed below:
    - In July, Yes Bank raised capital of Rs.15,000 crores through public offering to ensure adequate capital to support its growth and expansion pushing the CAR to 19.9% in Sept-20 quarter against 8.6% CAR reported in Jun-20.
    - Axis Bank raised Rs.10,000 crores in August 2020 through allotment of equity shares to qualified institutional buyers (QIB) and ICICI Bank raised Rs.15,000 crores through equity capital during the same month.
    - Kotak Mahindra Bank raised Rs.7,000 crores during Sept-end quarter.
    - SBI raised Rs 5,000 crores by issuing Basel-III compliant bonds in October 2020.
    - Punjab National Bank (PNB) is also planning to raise Rs 11,500 crores capital through Additional Tier-1 (AT-1) bonds, tier II bonds, and qualified institutional placement before the end of this year.

O/s Level of CDs declined while CPs increased on m-o-m

Figure 18: Certificates of Deposit Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Sep 28, 2018	151.0	31.9%
Dec 21, 2018	180.7	42.3%
Mar 29, 2019	272.3	46.6%
Jun 21, 2019	215.9	23.8%
Sep 27, 2019	188.1	24.6%
Dec 20, 2019	160.7	-11.1%
Mar 27, 2020	173.0	-36.5%
Jun 19, 2020	121.5	-43.8%
Sep 25, 2020	75.6	-59.8%
Oct 09, 2020	74.8	-58.7%

Figure 19: Trend in CD issuances and rate of interest (RoI)

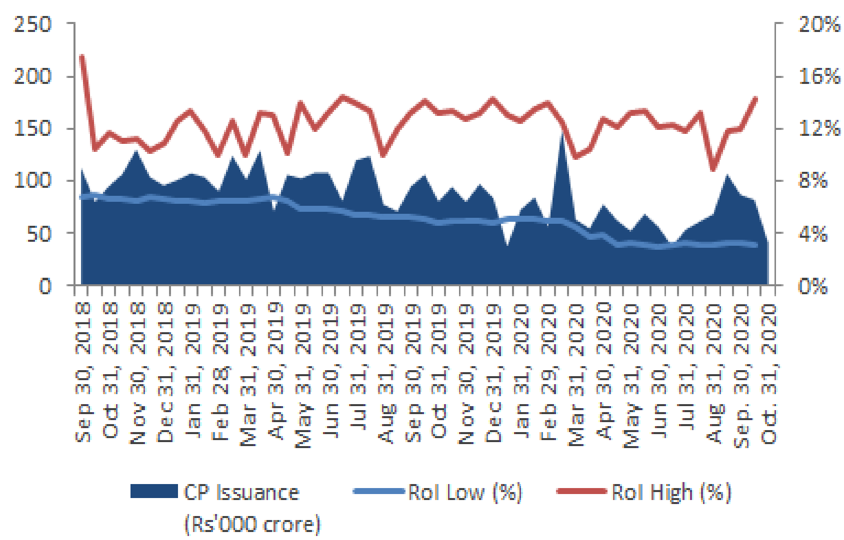


Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Figure 20: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Sep 30, 2018	556.2	41.4%
Dec 31, 2018	498.7	21.9%
Mar 31, 2019	483.1	29.7%
Jun 30, 2019	503.9	2.5%
Sep 30, 2019	459.7	-17.3%
Dec 31, 2019	414.9	-16.8%
Mar 31, 2020	344.5	-28.7%
Jun 30, 2020	391.5	-22.3%
Sep. 30, 2020	362.3	-21.2%
Oct. 15, 2020	395.0	-18.7%
Oct. 31, 2020	380.1	-17.8%

Figure 21: Trend in CP issuances and rate of interest (RoI)



Note: The quarter end data reflects the last fortnight data of that particular quarter; Source: RBI

Announcement	Explanation
Option of repaying the funds availed under Targeted Long-Term Repo Operations before maturity	• Banks which had availed funds under TLTRO and TLTRO 2.0 are being provided an option of reversing these transactions before maturity. • It has been decided to extend the date for submission of requests up to November 20, 2020. • There is no change in other terms and conditions.
Co-Lending by Banks and NBFCs to Priority Sector	• All scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) are allowed to co-lend with all registered NBFCs (including Housing Finance Companies) for the creation of priority sector assets under co-lending model (CLM) based in prior agreement. Earlier in September 2018, RBI had allowed all SCBs to co-originate loans with only non-deposit taking systemically important (ND-SI) finance companies.
Opening of Current Accounts by Banks - Need for Discipline	• The banks were advised that in respect of existing current and CC/OD accounts, banks shall ensure compliance with the above instructions within a period of three months from the date of issue of the circular i.e. by November 5, 2020.
Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020)	• The Government of India had announced the Scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (1.3.2020 to 31.8.2020) on October 23, 2020, which mandates ex-gratia payment to certain categories of borrowers by way of crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 by respective lending institutions • All lending institutions were advised to be guided by the provisions of the Scheme and take necessary action within the stipulated timeline (November 05, 2020).
Changes in the regulatory framework for Housing Finance Companies (HFCs)	• Issued final guidelines for HFCs in which it said all such NBFCs should have at least 60% of their net assets deployed in the business of providing housing finance, and those who currently have a lower ratio, must do so in a phased manner by March 31, 2024. Further out of the total net assets, at least 50% should be loans given to individuals by March 31, 2024. • Loans given for furnishing dwelling units, against mortgage of property for any purpose other than buying or construction of a new dwelling unit or renovation of the existing dwelling unit, will be treated as non-housing loans and will not be falling under the definition of housing finance. • RBI has increased the minimum NOF (Net Owned Fund) for HFCs from Rs 10 crores to Rs 20 crore. For existing HFCs, the time line would be Rs 15 crores by March 31, 2022 and Rs 20 crores by March 31, 2023. (Refer report 'RBI releases regulatory framework for HFCs'). • Retail housing loans will now attract a risk weight of 35% where LTV is less than or equal to 80% and a risk weight of 50% where LTV is more than 80% but less than or equal to 90%.
SLR holdings in HTM category	• In order to provide certainty to banks, RBI extended the time period for statutory liquidity ratio (SLR) holdings in held to maturity (HTM) category by one year till March, 2022. Earlier in September, the central bank had increased the limits of SLR holdings under HTM category to 22% from previous 19.5% of the net demand and time liabilities (NDTL) till March, 2021. This dispensation is available to banks for securities acquired between September 1, 2020 and March 31, 2021.

Regulatory Retail Portfolio – Revised Limit for Risk Weight	• Raised banks' maximum aggregate retail exposure limit to entities with turnover up to Rs 50 crores to Rs 7.5 crores, up from Rs 5 crores. • The risk weight of 75% will apply to all fresh exposures and also to existing exposures where incremental exposure may be taken by the banks up to the revised limit of Rs 7.5 crores.
Liquidity Support	• On-Tap TLTROs o On Tap TLTOs will be conducted with tenors of 3 years and aggregate amount of Rs 1 lakh crores at floating rate linked policy repo rate. o The scheme will be available up to March 31, 2021 with flexibility to enhance the amount and duration based on response o Liquidity availed has to be deployed in corporate bonds, commercial papers, NCDs and advance bank loans to the specific sectors o Banks have the facility to repay the earlier availed funds under the TLTRO (1.0 and 2.0) before maturity • SLR Holdings in Held to Maturity category - The enhanced limits under the HTM category (from 19.5% to 22% of NDTL) in respect of SLR securities have been extended up to March 31, 2021. - This is applicable for the securities acquired during September 1, 2020 to March 31, 2021. The HTM limits will be restored from 22% to 19.5% in a phased manner starting from Q1-FY23. • OMOs in State development loans - To conduct OMOs in SDLs as a special case during the current financial year
Regulatory Measures	• Revising limit for risk weights for retail - Increase in the threshold levels of the maximum value of exposure to one counterparty from Rs 5 crores to Rs 7.5 crores. - This is applicable in respect of all fresh as well as incremental qualifying exposures. • Rationalization of risk weights to individual housing loans - Individual housing loans will attract a risk weight of 35% where Loan to Value (LTV) is less than or equal to 80% and 50% where LTV is less than or equal to 90%.
Other measures	• Extending the scheme of "Co-origination model" to all NBFCs (including HFCs) and to make all priority sector loans eligible for the scheme. • Round the clock availability of Real Time Gross Settlement System (RTGS) facility. • Increase the outright and special OMOs from the current level of Rs.10,000 crores per auction to Rs.20,000 crores.

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