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High Stress from SME and Agri Spiked the Slippages with dent in earnings

1QFY20 Result Update

- SBI reported 1QFY20 numbers below our expectation on account of elevated credit cost. NII grew by 5%/-0.55% on YoY/QoQ basis and PAT stood at Rs 2312 Cr. The NII growth excluding the one off interest income of Rs 1930 Cr in Q1FY19 was 15.4% YoY. Other income grew by 20% YoY and fee income grew by 4% YoY.
- Slippages spiked surprisingly to Rs 16995 vs Rs 7961 Cr in 4Q FY19. GNPA during the quarter was stable at 7.53% while the NNPA stood at 3.07% v/s 3.01% in Q4FY19.
- Advance grew by 14%/-2.3% on YoY/QoQ basis with retail advance growing by 18.7%/2.43% on YoY/QoQ basis while the large corporates advance grew by 12.9%/-5.36% On YoY/QoQ basis. The deposits grew by 7.3%/1.3% on YoY/QoQ basis with CASA growing by 7.4%/-0.2% on YoY/QoQ basis.

High Level of slippages

The asset quality was largely stable with GNPA at same levels with Q4FY19 at 7.53% and NNPA increasing by 6 bps to 3.07%. The fresh Slippages were high Rs 16212 Cr v/s Rs 9984 Cr in Q1FY19 while the recovery and upgradations were Rs 5769 Cr. The slippages were primarily high on account of the higher agri slippages which stood at Rs 4239 Cr v/s Rs 2560 in Q1FY19 and corporate slippages which stood at Rs 3391 Cr v/s 5354 Cr in Q1FY19. The credit cost stood at 2.03% v/s 2.48% in Q1FY19. PCR without AUCA was 61.05%. SMA accounts for the exposure of Rs 5 Cr to Rs 2000 Cr stood at Rs 10289 Cr and Rs 19142 Cr stood for the exposure of above Rs 2000 Cr for the banking industry.

Steady Advance/Deposit growth

Advance grew by 14%/-2.3% on YoY/QoQ basis. The domestic advance grew by 11.9%/-3.1% on YoY/QoQ basis while the overseas advance grew by 16.2%/2.4% on YoY/QoQ basis. The large corporates advance grew by 12.9%/-5.36% On YoY/QoQ basis while the retail advance grew by 18.7%/2.43% on YoY/QoQ basis. The Deposits during the quarter grew by 7.3%/1.3% on YoY/QoQ basis with CASA growing by 7.4%/-0.2% on YoY/QoQ basis. The CASA ratio stood at 43.56% v/s 44.22% in Q4FY19.

Improvement in NIM

NII during the quarter was up by 5%/-0.55% on YoY/QoQ basis. The NII growth excluding the one off interest income of Rs 1930 Cr in Q1FY19 was 15.4% YoY. The Domestic NIM stood at 3.01%, the foreign NIM was 1.18% while the Whole Bank NIM stood at Rs 2.81%. The Cost of deposits was Rs 5.07% v/s 5.11% in Q4FY19. The yield on advance stood at 8.56% v/s the 8.57% in Q1FY19. The cost to income ratio stood at 57.2% v/s the 52.5% in Q4FY19 mainly on account of lower other income.

View and Valuation

Rising stress in agriculture and SME sector impacted the assets quality of SBIN. Further new stress development in the system poses additional risk for SBI. SMA accounts of around Rs 19000 Cr from the exposure of above Rs 2000 Cr of the banking system is a cause of concern if no resolution plan implemented under ICA. Slower resolution of NCLT accounts remains keeps uncertainty on the recovery of earnings. SBIN is sitting on the gain of Rs 16000 Cr from the 3 NCLT accounts on the advance stage of resolution and uncertainty of timing of resolution poses risk on earnings. Stake sale in two subsidiary will also support the earnings. SBIN has seen the improvement in its core operating performance. SBIN is well placed in the system to capture the growth with the improvement in economy. However with the recent stress from few group and in SME sector poses threat for assets quality and credit cost. We increase our credit cost estimate with the rising stress and reduce our earnings estimate by 12% for FY20. We maintain BUY with the target price of Rs 409 at 1.3x BV FY21e.

Key Risks to our rating and target

- Materialization of latest stressed addition.
- Succession Planning with execution risk.

RATING

BUY

CMP 308

Price Target 409

Potential Upside 33%

Rating Change



Estimate Change



Target Change



STOCK INFO

52wk Range H/L 374/248

Mkt Capital (Rs Cr) 275,280

Free float (%) 43%

Avg. Vol 1M (,000) 20,522

No. of Shares (Crs) 892

Promoters Pledged %

Fig in Rs Cr

FINANCIAL

FY19

FY20E

FY21E

NII 88350 98720 112984

PPP 55437 80555 82913

PAT 863 31231 34813

NIM % 2.7 2.8 2.9

EPS (Rs) 1 35 39

EPS growth (%) -113 3519 11

ROE (%) 0 13 13

ROA (%) 0.0 0.8 0.8

BV 248 283 314

P/B (X) 1.3 1.1 1.0

P/E (x) 331 9 8

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1QFY20 Results

Fig in Rs Cr

| FINANCIALS | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY % | QoQ% | FY18 | FY19 | YoY % |
|---------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Interest Inc. | 58,813 | 58,793 | 62,277 | 62,985 | 62,638 | 6.5% | -0.6% | 220499 | 242869 | 10.1% |
| Interest Exp. | 37,015 | 37,888 | 39,586 | 40,032 | 39,699 | 7.3% | -0.8% | 145645 | 154519 | 6.1% |
| NII | 21,798 | 20,906 | 22,691 | 22,954 | 22,939 | 5.2% | -0.1% | 74854 | 88350 | 18.0% |
| Other Income | 6,679 | 9,375 | 8,035 | 12,685 | 8,015 | 20.0% | -36.8% | 44601 | 36775 | -17.5% |
| Total Income | 28,478 | 30,281 | 30,726 | 35,639 | 30,954 | 8.7% | -13.1% | 119455 | 125125 | 4.7% |
| Ope Exp. | 16,505 | 16,376 | 18,101 | 18,706 | 17,708 | 7.3% | -5.3% | 59944 | 69688 | 16.3% |
| PPP | 11,973 | 13,905 | 12,625 | 16,933 | 13,246 | 10.6% | -21.8% | 59511 | 55437 | -6.8% |
| Provisions | 19,228 | 12,092 | 6,006 | 16,502 | 9,183 | -52.2% | -44.4% | 75039 | 53829 | -28.3% |
| PBT | -7255 | 1812.6 | 6619 | 431 | 4,063 | LTP | 842.3% | -15528 | 1608 | LTP |
| Tax | (2,379) | 868 | 2,664 | (407) | 1,751 | NA | NA | -8981 | 745 | NA |
| Net Profit | (4,876) | 945 | 3,955 | 838 | 2,312 | LTP | 175.8% | -6547 | 863 | LTP |

Concall Highlights

- The Loan book growth is expected to be around 12%. The credit cost going forward is expected to come down to around 1.4%. The NIM guidance for the year stands at 3.15%. Bank made provisions of Rs 2300 Cr on two standard accounts. The provisions were provided as per the RBI notification of financial difficulty on these loans.
- Of the total slippages of around Rs 16000 Cr, management stated that Rs 6000 Cr was above the normal run rate mainly on account of higher slippages from agri and SME portfolio. One PSU company was also classified as NPA due to delay in resolution documentations by one bank.
- On Agri slippages for the quarter bank said were normal other than Rs 2000 Cr in one state. On SME slippages worth around Rs 4000 Cr during the quarter as the RBI dispensation for MSME got withdrawn and going forward such run rate may not be seen and is not expected to exceed the last year number. The trend in 0-30 and 30-60 bucket are approximately are same level.
- SMA 2 Account increase was primarily on account of state government entity worth Rs 2014 Cr as on 30 June 2019 but it has been adjusted as of now. The PCR on the account is now 100%. The SMA of 2614 Cr is included in ICA.
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- On DHFL resolution plan management said it is work in progress and company is yet to give final resolution plan and SBI capital market is working on it. and as soon as resolution plan is received it would be circulated to lenders. The resolution implementation date cannot be later than 6 December 2019.
- The bank has around Rs 19000 Cr of SMA above Rs 2000 Cr of exposure towards 20 entity. These exposures is under ICA framework and only accounts constitutes 70% of the exposure.
- The bank had to make higher provision on account of pension liability as the yield has dropped by almost 100 bps and secondly on account of wage revision. The provision for wage revision pension gratuity etc is Rs 4000 Cr. Pension provision going forward are not expected to have major change given than yields do not change much.
- The interest income during the quarter was higher as the average advances as compared to Q1FY19 were up by Rs 26000 Cr.
- MTM on the corporate bond was Rs 1200 but as there was no carry over loss so entire benefit could not be taken. On the SLR book MTM gain was Rs 1480 Cr.
- On state of the economy management said they are not seeing any great boost and issue of credit to NBFC needs to be addressed.
- On the book of Rs 26000 Cr of MUDRA loan, it has around Rs 3000 Cr of NPA which contributes around 2% of the overall NPA of the bank.
- The interest reversal on account of NPA was Rs 2791 Cr and on agri slippages interest reversal are generally for 3 years.
- On retail loans majority of them are SBI accounts and come from salaried class.
- SBI card IPO is most likely to happen during the last quarter Of FY20.

Profitability Matrix

| | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|-------------------------------|---------|---------|---------|--------|---------|--------|--------|-----------|-----------|
| C/I Ratio % | 56.1 | 51.1 | 58.0 | 54.1 | 58.9 | 52.5 | 57.2 | -0.75 | 4.72 |
| Empl. Cost/ Tot. Exp. % | 56.6 | 55.8 | 58.8 | 59.2 | 61.7 | 56.0 | 61.7 | 2.83 | 5.64 |
| Other Exp/Tot. Exp. % | 43.4 | 44.2 | 41.2 | 40.8 | 38.3 | 44.0 | 38.3 | -2.83 | -5.64 |
| Provision/PPP % | 160.6 | 176.9 | 160.6 | 87.0 | 47.6 | 97.5 | 69.3 | -91.27 | -28.13 |
| Tax /PBT % | 66.1 | 36.8 | 32.8 | 47.9 | 40.2 | (94.4) | 43.1 | 10.30 | 137.53 |
| Int Exp./Int Inc. (%) | 65.9 | 64.3 | 62.9 | 64.4 | 63.6 | 63.6 | 63.4 | 0.44 | -0.18 |
| Other Inc./Net Inc. % | 30.2 | 38.5 | 23.5 | 31.0 | 26.2 | 35.6 | 25.9 | 2.44 | -9.70 |
| PAT/ Net Income % | (9.0) | (23.8) | (17.1) | 3.1 | 12.9 | 2.4 | 7.5 | 24.59 | 5.12 |
| PAT Growth % | (192.6) | (374.2) | (343.1) | (40.3) | (263.7) | 110.9 | 147.4 | 490.49 | 36.56 |
| NII Growth % (YoY) | 26.7 | 10.5 | 23.8 | 12.5 | 21.4 | 14.9 | 5.2 | -18.58 | -9.69 |
| Operating Profit Growth YoY % | (6.3) | (0.9) | 0.8 | (30.5) | 7.4 | 6.6 | 10.6 | 9.80 | 4.02 |

Margin Performance

| MARGIN % | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|------------------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| Yield on Advances | 8.38 | 8.28 | 8.57 | 8.43 | 8.48 | 8.49 | 8.56 | -0.01 | 0.07 |
| Yield on Total Assets (Cal.) | 7.71 | 7.45 | 7.69 | 7.52 | 7.88 | 7.72 | 7.58 | -0.11 | -0.14 |
| Cost of Fund | 5.42 | 4.71 | 4.87 | 4.89 | 4.94 | 4.88 | 4.87 | -0.01 | -0.01 |
| Cost of Deposits | 5.34 | 5.30 | 5.11 | 5.10 | 5.09 | 5.10 | 5.07 | -0.04 | -0.03 |
| Dom. NIM | 2.61 | 2.67 | 2.95 | 2.88 | 2.92 | 2.95 | 3.01 | 0.06 | 0.06 |
| Whole NIM | 2.45 | 2.50 | 2.80 | 2.73 | 2.76 | 2.78 | 2.81 | 0.01 | 0.03 |
| Foreign NIM | 1.16 | 1.14 | 1.47 | 1.42 | 1.38 | 1.32 | 1.18 | -0.29 | -0.14 |

Exhibit: Yield and Cost

Rise in yield & decline in cost

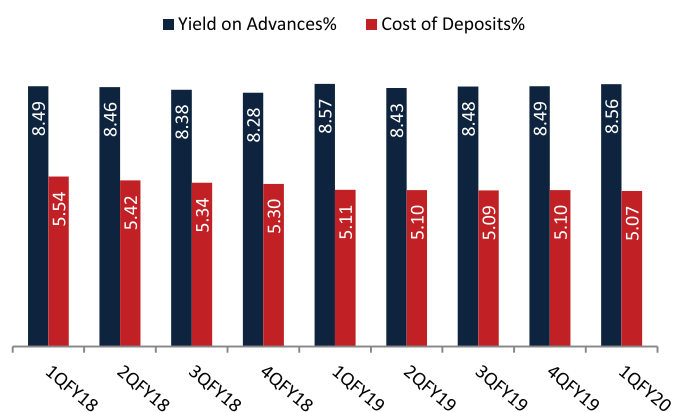
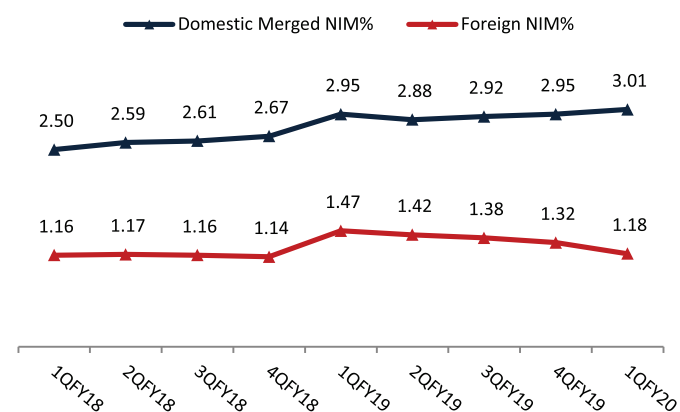


Exhibit: Net Interest Margin

NIM on improving trend.



Other Income Break Up- Marginal in fee income.

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 |
|-------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Loan Processing Charges | 654 | 637 | 627 | 1360 | 641 | 641 | 926 | 1502 | 617 |
| Commission on Govt. Business | 781 | 785 | 840 | 1003 | 931 | 973 | 953 | 1118 | 963 |
| Commission on LC/BG | 407 | 446 | 618 | 636 | 592 | 637 | 600 | 1289 | 704 |
| Transaction Fees | 1432 | | | | | | | | |
| Cross Sell/Commission on Collection | 288 | 378 | 408 | 557 | 376 | 482 | 486 | 583 | 366 |
| Misc Fee Income | 463 | 3111 | 558 | 1283 | 954 | 761 | 413 | 600 | 678 |
| Locker Rent, POS, CMP etc. | 844 | | | | | | | | |
| Account Maintenance Charges | | | 701 | 890 | 321 | 276 | 253 | 484 | 242 |
| Remittance, Collection etc. | | | 1227 | 2702 | 1162 | 1245 | 1093 | 3013 | 1606 |
| Total Fee Income | 4869 | 5357 | 4979 | 8431 | 4977 | 5015 | 4724 | 8589 | 5176 |

Exhibit: Fee Income/Advances %

Fee income as a % of total advances declined.

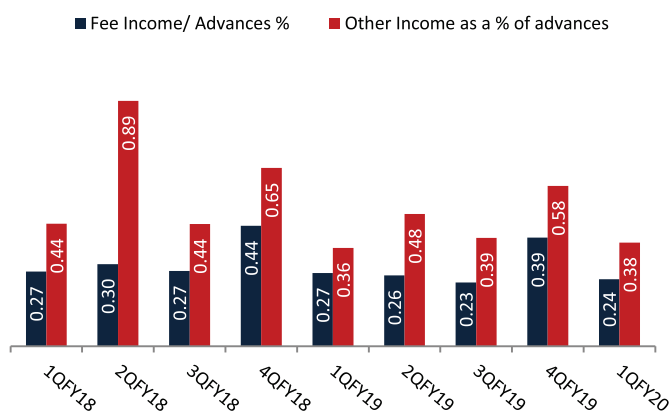
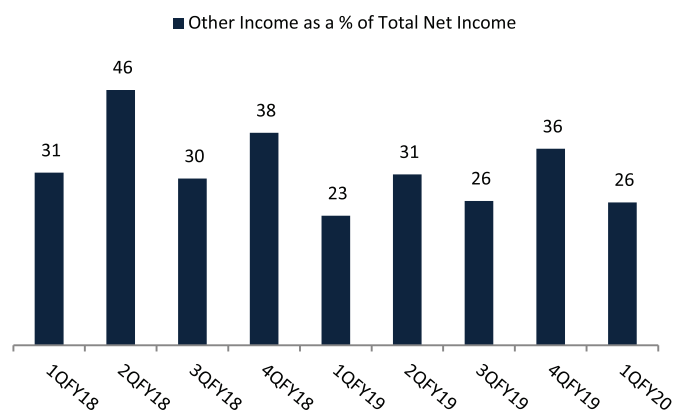


Exhibit: Other Income/ Total Income %

Growth in other income shrunk



Asset Quality

| | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | 4QFY19 | 1QFY20 | YoY (+/-) | QoQ (+/-) |
|----------------------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|
| GNPA (Rs in Cr) | 199141 | 223427 | 212840 | 205863 | 187764 | 172750 | 168494 | -21% | -2% |
| GNPA % | 10.4 | 10.9 | 10.7 | 10.0 | 8.7 | 7.5 | 7.5 | -3.16 | 0 |
| NNPA (Rs in Cr) | 102370 | 110855 | 99236 | 94810 | 80944 | 65895 | 65624 | -34% | 0% |
| NNPA % | 5.6 | 5.7 | 5.3 | 4.8 | 4.0 | 3.0 | 3.1 | -2.22 | 0.06 |
| Slippages (Rs in Cr) | 26,780 | 32,821 | 14,349 | 10,888 | 6,541 | 7,961 | 16,995 | 18% | 113% |
| PCR % | 65.9 | 66.2 | 69.3 | 70.7 | 74.6 | 78.7 | 78.7 | 9.48 | 0.00 |

Exhibit: Asset Quality

Assets quality improved.

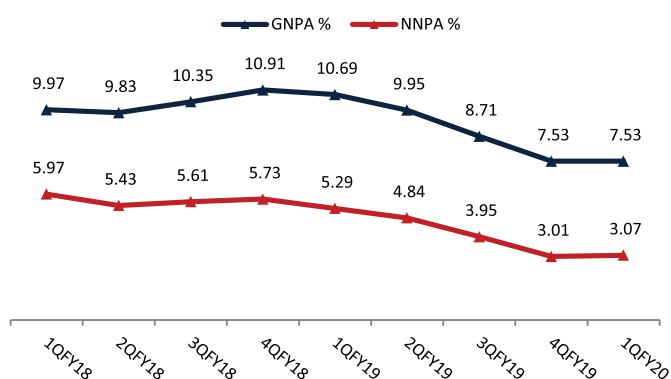


Exhibit: Provisions

PCR trending upwards.

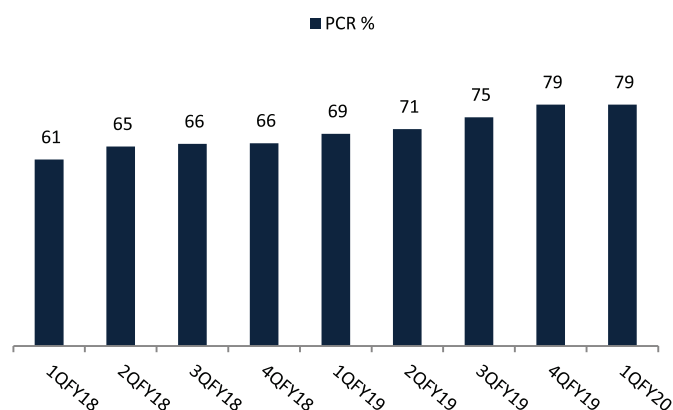


Exhibit: Advances Performance

Advances growth picked-up.

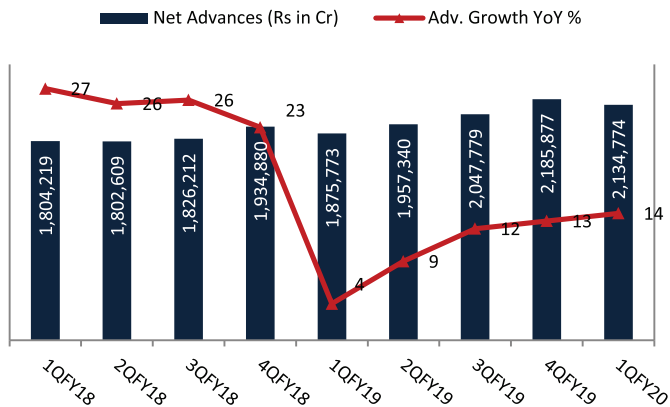


Exhibit: Domestic Advances Breakup%

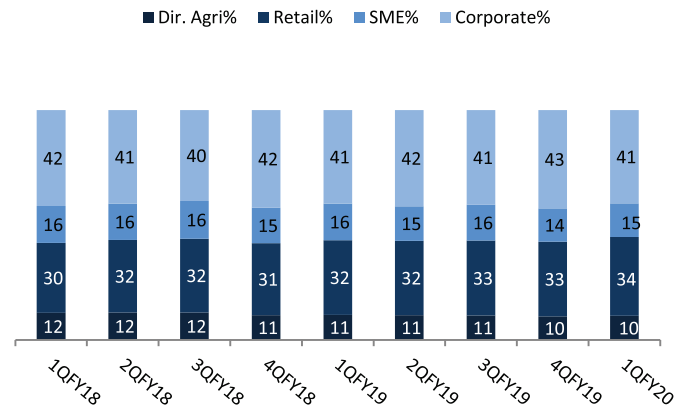


Exhibit: Deposits Performance

Steady deposit growth

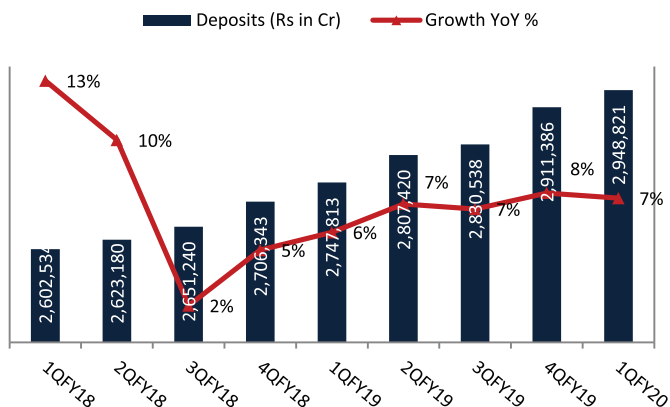


Exhibit: CASA Performance

Stable CASA

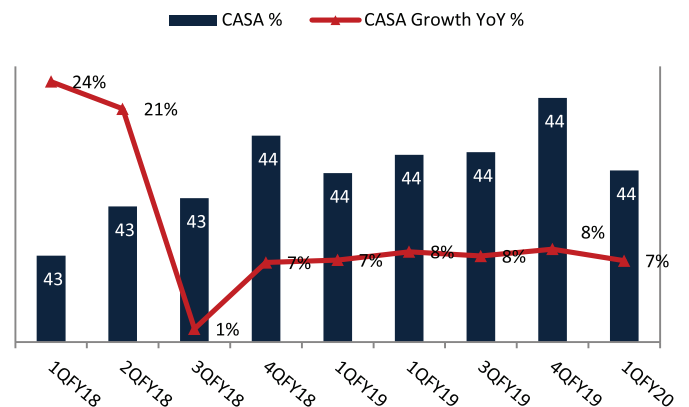


Exhibit: Credit Deposit Ratio

CD ratio moved down.

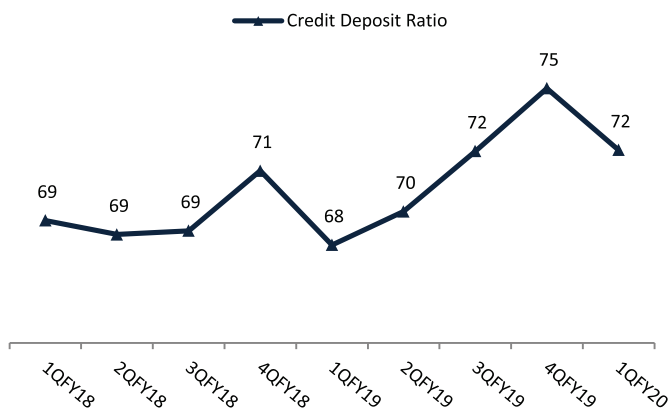
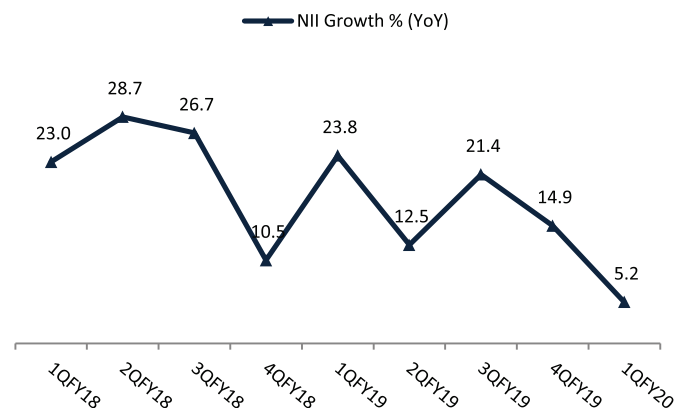


Exhibit: NII Growth

NII growth down .



Financial Details

Balance Sheet

Fig in Rs Cr

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Share Capital | 747 | 747 | 776 | 797 | 892 | 892 | 892 | 892 |
| Equity Capital | 747 | 747 | 776 | 797 | 892 | 892 | 892 | 892 |
| Preference Capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reserves & Surplus | 117536 | 127692 | 143498 | 187489 | 218236 | 220021 | 251252 | 279639 |
| Networth | 118282 | 128438 | 144274 | 188286 | 219128 | 220914 | 252145 | 280532 |
| Deposits | 1394409 | 1576793 | 1730722 | 2044751 | 2706343 | 2911386 | 3166719 | 3546725 |
| Change (%) | 15.9 | 13.1 | 9.8 | 18.1 | 32.4 | 7.6 | 8.8 | 12.0 |
| CASA Deposits | 580197 | 637760 | 717332 | 890409 | 1187294 | 1287285 | 1393990 | 1561269 |
| Change (%) | 10.4 | 9.9 | 12.5 | 24.1 | 33.3 | 8.4 | 8.3 | 12.0 |
| Borrowings | 183131 | 205150 | 323345 | 317694 | 362142 | 403017 | 342006 | 383046 |
| Other Liabilities & Prov. | 96927 | 137698 | 159276 | 155235 | 167138 | 145597 | 152246 | 161215 |
| Total Liabilities | 1792748 | 2048080 | 2357617 | 2705966 | 3454751 | 3680914 | 3913116 | 4371518 |
| Cash & Bank | 132550 | 174861 | 167468 | 171971 | 191898 | 222490 | 197556 | 246683 |
| Investments | 398800 | 495027 | 575652 | 765990 | 1060987 | 967022 | 950016 | 1064018 |
| Change (%) | 13.7 | 24.1 | 16.3 | 33.1 | 38.5 | -8.9 | -1.8 | 12.0 |
| Advances | 1209829 | 1300026 | 1463700 | 1571078 | 1934880 | 2185877 | 2470041 | 2766446 |
| Change (%) | 15.7 | 7.5 | 12.6 | 7.3 | 23.2 | 13.0 | 13.0 | 12.0 |
| Fixed Assets | 8002 | 9329 | 10389 | 42919 | 39992 | 39198 | 39982 | 40781 |
| Other Assets | 43568 | 68836 | 140408 | 154008 | 226994 | 266328 | 255521 | 253591 |
| Total Assets | 1792748 | 2048080 | 2357617 | 2705966 | 3454751 | 3680914 | 3913116 | 4371518 |

Income Statement

Fig in Rs Cr

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Interest income | 136351 | 152397 | 163685 | 175518 | 220499 | 242869 | 255908 | 275319 |
| Interest expended | 87069 | 97382 | 106803 | 113658 | 145645 | 154519 | 157189 | 162335 |
| Net Interest Income | 49282 | 55015 | 56882 | 61860 | 74854 | 88350 | 98720 | 112984 |
| Change (%) | 11.2 | 11.6 | 3.4 | 8.8 | 21.0 | 18.0 | 11.7 | 14.4 |
| Other Income | 18553 | 22576 | 28158 | 35461 | 44601 | 36775 | 53777 | 44135 |
| Change (%) | 15.7 | 21.7 | 24.7 | 25.9 | 25.8 | -17.5 | 46.2 | -17.9 |
| Core Fee Income | 12611 | 14139 | 15658 | 17803 | 23636 | 23305 | 25580 | 28829 |
| Treasury Income | 2077 | 3618 | 5017 | 10749 | 12303 | 1023 | 3564 | 5254 |
| Others | 3865 | 4819 | 7483 | 6909 | 8662 | 12447 | 24634 | 10052 |
| Total Net Income | 67835 | 77591 | 85041 | 97321 | 119455 | 125125 | 152497 | 157119 |
| Operating Expenses | 35726 | 38678 | 41782 | 46473 | 59944 | 69688 | 71942 | 74206 |
| Change (%) | 22.0 | 8.3 | 8.0 | 11.2 | 29.0 | 16.3 | 3.2 | 3.1 |
| Employee Expenses | 22504 | 23537 | 25114 | 26489 | 33179 | 41055 | 41909 | 39280 |
| Pre-provisioning Profit | 32109 | 38913 | 43258 | 50848 | 59511 | 55437 | 80555 | 82913 |
| Change (%) | 3.3 | 21.2 | 11.2 | 17.5 | 17.0 | -6.8 | 45.3 | 2.9 |
| Provisions | 15935 | 19600 | 29484 | 35992 | 75039 | 53829 | 32675 | 30167 |
| Change (%) | 43.2 | 23.0 | 50.4 | 22.1 | 108.5 | -28.3 | -39.3 | -7.7 |
| PBT | 16174 | 19314 | 13775 | 14856 | -15528 | 1608 | 47880 | 52746 |
| Tax | 5283 | 6212 | 3823 | 4371 | -8981 | 745 | 16649 | 17934 |
| Profit After Tax | 10891 | 13102 | 9951 | 10485 | -6547 | 863 | 31231 | 34813 |
| Change (%) | -22.8 | 20.3 | -24.0 | 5.4 | -162.4 | -113.2 | 3518.8 | 11.5 |

Financial Details

Key Ratios

| Y/E March | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|------------------------------|------|------|------|------|------|------|-------|-------|
| Balance Sheet Metrics | | | | | | | | |
| Loan Growth (%) | 16 | 7 | 13 | 7 | 23 | 13 | 13 | 12 |
| Deposit Growth (%) | 16 | 13 | 10 | 18 | 32 | 8 | 9 | 12 |
| C/D Ratio (%) | 87 | 82 | 85 | 77 | 71 | 75 | 78 | 78 |
| CASA (%) | 41.6 | 40.4 | 41.4 | 43.5 | 43.9 | 44.2 | 44.0 | 44.0 |
| Investment/Deposit (%) | 28.6 | 31.4 | 33.3 | 37.5 | 39.2 | 33.2 | 30.0 | 30.0 |
| CRAR (%) | 12.4 | 12.0 | 13.1 | 13.1 | 12.6 | 12.7 | 12.2 | 12.0 |
| Tier 1 (%) | 9.7 | 9.6 | 9.9 | 10.4 | 10.4 | 10.7 | 9.9 | 9.9 |
| Tier 2 (%) | 2.7 | 2.4 | 3.2 | 2.8 | 2.2 | 2.1 | 2.3 | 2.1 |

Assets Quality Metrics

| | | | | | | | | |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Gross NPA (Rs) | 61,605 | 56,725 | 98,173 | 112343 | 223427 | 172750 | 141316 | 125507 |
| Gross NPA (%) | 5.0 | 4.3 | 6.5 | 6.9 | 10.9 | 7.5 | 5.5 | 4.4 |
| Net NPA(Rs) | 31,096 | 27,591 | 55,807 | 58,277 | 110855 | 65895 | 55358 | 53025 |
| Net NPA (%) | 2.6 | 2.1 | 3.8 | 3.7 | 5.7 | 3.0 | 2.2 | 1.9 |
| Slippages (%) | 4 | 2 | 5 | 3 | 7 | 2 | 2 | 1 |
| Provision Coverage (%) | 63 | 69 | 61 | 66 | 66 | 79 | 76 | 72 |
| Provision/Average Advances (%) | 1.4 | 1.6 | 2.1 | 2.4 | 4.3 | 2.6 | 1.4 | 1.2 |

Margin Metrics

| | | | | | | | | |
|-----------------------------|-----|-----|-----|-----|-----|-----|-----|-----|
| Yield On Advances (%) | 9.1 | 9.0 | 8.4 | 7.9 | 8.1 | 7.8 | 7.8 | 7.8 |
| Yield On Investment (%) | - | - | - | - | - | - | - | - |
| Yield on Earning Assets (%) | 8.5 | 8.3 | 7.8 | 7.4 | 7.7 | 7.3 | 7.2 | 7.1 |
| Cost Of Deposits (%) | 6.0 | 6.0 | 6.0 | 5.6 | 5.7 | 5.0 | 4.8 | 4.5 |
| Cost Of Funds (%) | 5.7 | 5.6 | 5.5 | 5.1 | 5.2 | 4.7 | 4.5 | 4.3 |
| Spread (%) | 2.8 | 2.7 | 2.3 | 2.3 | 2.5 | 2.6 | 2.7 | 2.8 |
| NIM (%) | 3.1 | 3.0 | 2.7 | 2.6 | 2.6 | 2.7 | 2.8 | 2.9 |

Profitability & Efficiency Metrics

| | | | | | | | | |
|-----------------------------|------|------|------|------|------|------|------|------|
| Int. Expense/Int.Income (%) | 63.9 | 63.9 | 65.2 | 64.8 | 66.1 | 63.6 | 61.4 | 59.0 |
| Fee Income/NII (%) | 25.6 | 25.7 | 27.5 | 28.8 | 31.6 | 26.4 | 25.9 | 25.5 |
| Cost to Income (%) | 52.7 | 49.8 | 49.1 | 47.8 | 50.2 | 55.7 | 47.2 | 47.2 |
| Cost on Average Assets (%) | 2.1 | 2.0 | 1.9 | 1.8 | 1.9 | 2.0 | 1.9 | 1.8 |
| Tax Rate (%) | 32.7 | 32.2 | 27.8 | 29.4 | 57.8 | 46.3 | 34.8 | 34.0 |

Valuation Ratio Metrics

| | | | | | | | | |
|---------------------|--------|-------|--------|-------|---------|-------|--------|-------|
| EPS (Rs) | 14.6 | 17.5 | 12.8 | 13.2 | (7.3) | 1.0 | 35.0 | 39.0 |
| Change (%) | (29.3) | 20.3 | (27.0) | 2.6 | (155.8) | (113) | 3518.8 | 11.5 |
| ROAE (%) | 10.0 | 10.6 | 7.3 | 6.3 | (3.2) | 0.4 | 13.2 | 13.1 |
| ROAA (%) | 0.6 | 0.7 | 0.5 | 0.4 | (0.2) | 0.0 | 0.8 | 0.8 |
| Dividend Payout (%) | 20.6 | 19.9 | 20.3 | 19.8 | - | - | 17.1 | 15.4 |
| Dividend yield (%) | 1.6 | 1.3 | 1.3 | 0.9 | - | - | 1.9 | 1.9 |
| Book Value (Rs) | 158.4 | 172.0 | 185.9 | 236.2 | 245.5 | 247.5 | 282.5 | 314.3 |
| Change (%) | 10 | 9 | 8 | 27 | 4 | 1 | 14 | 11 |
| ABVPS(Rs) | 116.8 | 135.1 | 114.0 | 123.5 | 93.5 | 145.9 | 192.7 | 227.1 |
| P/B (X) | 1.2 | 1.6 | 1.0 | 1.2 | 1.0 | 1.3 | 1.1 | 1.0 |
| P/E (X) | 13.1 | 15.2 | 15.2 | 22.2 | (34.1) | 330.9 | 8.8 | 7.9 |

Financial Details

Exhibit: DuPont Analysis

| | FY15 | FY16 | FY17 | FY18 | FY19 | FY20E | FY21E |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| Interest Income | 7.9 | 7.4 | 6.9 | 7.2 | 6.8 | 6.7 | 6.6 |
| Interest expended | 5.1 | 4.8 | 4.5 | 4.7 | 4.3 | 4.1 | 3.9 |
| Net Interest Income | 2.9 | 2.6 | 2.4 | 2.4 | 2.5 | 2.6 | 2.7 |
| Non-Fund Based Income | 1.2 | 1.3 | 1.4 | 1.4 | 1.0 | 1.4 | 1.1 |
| Core Fee Income | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 |
| Trading and Other Income | 0.4 | 0.6 | 0.7 | 0.7 | 0.4 | 0.7 | 0.4 |
| Core Operating Income | 3.6 | 3.3 | 3.1 | 3.2 | 3.1 | 3.3 | 3.4 |
| Total Income | 4.0 | 3.9 | 3.8 | 3.9 | 3.5 | 4.0 | 3.8 |
| Total Operating Expenses | 2.0 | 1.9 | 1.8 | 1.9 | 2.0 | 1.9 | 1.8 |
| Employee Expenses | 1.2 | 1.1 | 1.0 | 1.1 | 1.2 | 1.1 | 0.9 |
| Other Expenses | 0.8 | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.8 |
| Operating Profit | 2.0 | 2.0 | 2.0 | 1.9 | 1.6 | 2.1 | 2.0 |
| Provisions | 1.0 | 1.3 | 1.4 | 2.4 | 1.5 | 0.9 | 0.7 |
| Others | - | - | - | - | - | - | - |
| PBT | 1.0 | 0.6 | 0.6 | (0.5) | 0.0 | 1.3 | 1.3 |
| Tax | 0.3 | 0.2 | 0.2 | (0.3) | 0.0 | 0.4 | 0.4 |
| PAT/RoAA | 0.7 | 0.5 | 0.4 | (0.2) | 0.0 | 0.8 | 0.8 |
| Equity Multiplier (x) | 15.6 | 16.2 | 15.2 | 15.1 | 16.2 | 16.1 | 15.6 |
| ROAE | 10.6 | 7.3 | 6.3 | (3.2) | 0.4 | 13.2 | 13.1 |

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