

# City Union Bank

## A disappointing quarter

CUBK reported a net loss of Rs 953mn on a/c of a jump in provisions (Rs 4.5bn), which in turn were driven by elevated NPL and COVID-19 related provisions. Asset quality deteriorated with the sharp rise in slippages. Despite the disappointing performance this quarter and premium valuations relative to peers we maintain our BUY with a TP of Rs 164 (2.1x FY22E ABV). (1) A strong PPOP profile, (2) consistent performance across most parameters, (3) management pedigree (scope for continuity of the existing MD&CEO till 2026, subject to RBI approval) and (4) a strong capital base underpin our stance.

- Asset quality:** CUBK's performance on this front disappointed, as slippages jumped to Rs 4.8bn (5.62% ann.). They were mostly granular, with 3 a/cs (metals and beverages) contributing to ~30% of total slippages. The management accredited the rise in slippages to collection efforts being hampered by COVID-19. Consequently, recoveries and upgrades too, were muted. High w/off's curtailed GNPA growth. The management indicated that potentially stressed sectors (hotels, LRD, CRE etc.) a/c for ~10% of its portfolio and that it expects ~20% of this to slip. It thus guided for slippages of 3.25-3.5% over FY21E. We conservatively build slippages of 4%+.
- Funding and liquidity:** While overall deposit growth was slow at 6/3%, we don't find this particularly worrisome. CASA deposits grew by 5/10%, led by ~12% growth in SA. Further, the mgt indicated that ~90% of the bank's deposits are less than Rs 20mn in size. The 21.8% QoQ rise in borrowings was on a/c of borrowing under TLTRO and SIDBI refinance. On the liquidity front, CUBK is well placed, with an LCR of 200% (up to 260% by May-20) and excess SLR investments of ~Rs 15bn. CRAR rose by 121/135bps on a/c of (1) capitalisation of full year audited profits, and (2) tepid loan growth. With a CRAR of 16.8%, of which Tier 1 is 15.8%, CUBK is fairly well capitalised (best amongst peers). While it too did not find the need to raise capital, the mgt said it would do so only under extraordinary circumstances.
- COVID-19 related management commentary:** (1) The mgt indicated that 48% of borrowers under moratorium paid 2 instalments, and that ~38% paid all 3 instalments. (2) As part of its slippage guidance, the mgt envisages additional restructuring of Rs 3-4bn in FY21E. (3) ~Rs 93bn worth of loans are eligible under the NCGTC scheme, indicating potential incremental credit of ~Rs 18bn (borrowers representing ~Rs 12bn of credit have opted for the scheme), of which Rs 8.5bn has been sanctioned till date. (4) Reduced SA rates from Apr-20 to 3.5/3.75% for balances below Rs 0.1mn/ between Rs 0.1-1.0mn.

### Financial Summary

(Rs mn)	4Q FY20	4Q FY19	YoY (%)	3Q FY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net int Inc.	4,195	4,206	-0.3%	4,273	-1.8%	16,115	16,753	17,265	18,943
PPOP	2,637	2,297	14.8%	2,612	1.0%	12,400	13,399	13,382	15,030
PAT	-953	1,751	NA	1,924	NA	6,829	4,748	5,072	7,532
EPS (Rs)	-1.3	2.4	NA	2.6	NA	9.3	6.4	6.9	10.2
ROAE (%)						15.2	9.4	9.2	12.3
ROAA (%)						1.60	1.00	1.00	1.38
Adj. BVPS (Rs)						57.9	61.3	65.1	76.5
P/ABV (x)						2.37	2.24	2.10	1.79
P/E (x)						14.7	21.3	19.9	13.4

Source: Bank, HSIE Research

## BUY

CMP (as on 18 June 2020)	Rs 137
Target Price	Rs 164
NIFTY	10,092

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 176	Rs 164
EPS %	FY21E	FY22E
	-32.6%	-7.0%

### KEY STOCK DATA

Bloomberg code	CUBK IN
No. of Shares (mn)	737
MCap (Rs bn) / (\$ mn)	101/1,326
6m avg. traded value (Rs mn)	215
52 Week high / low	Rs 249/110

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(17.3)	(41.4)	(36.2)
Relative (%)	(35.7)	(23.5)	(23.8)

### SHAREHOLDING PATTERN (%)

	Dec-19	Mar-20
Promoters	0.0	0.0
FIs & Local MFs	36.7	34.6
FPIs	22.6	20.8
Public & Others	40.6	44.6

Pledged Shares

Source : BSE

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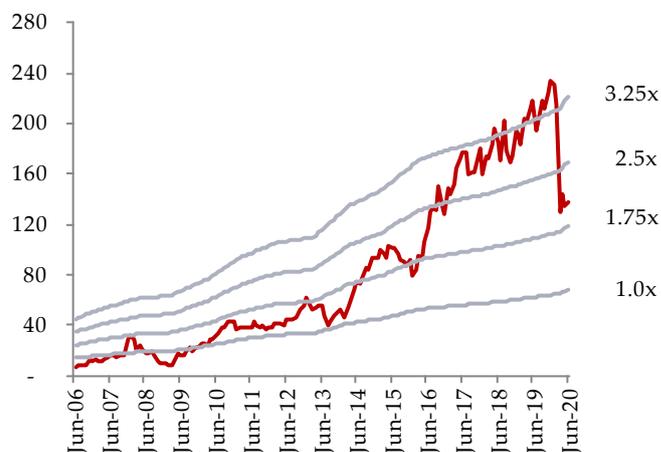
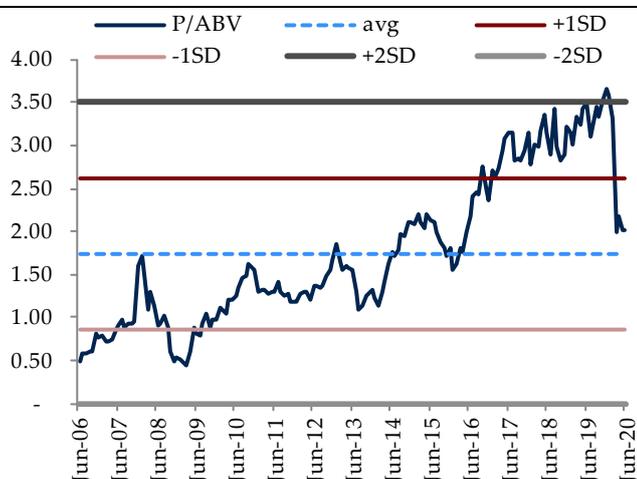
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- Loan growth** at 4.6/2.2% was muted, and YoY growth was the slowest in the last ~6 years. The bank saw faster growth in term loans at 13.9/7.7% which form 36.7% of the book. Oddly, w/c-type loans which constitute 62.7% of CUBK's book dipped slightly QoQ. This may have been on a/c of freezing/ possible non-renewal of limits as one would have expected utilisation to increase in 4Q. MSME loans, which form ~31% of loans, dipped 3.7% QoQ (+4.6% YoY). Akin to its peers, CUBK saw decent traction in agri (+12/19.7%) and gold loans (non-agri, +103.4/30%). We expect tepid loan growth in the near term at ~9% over FY21-22E.
- Non-tax provisions** jumped to Rs 4.5bn, led by a 3x rise in NPA provisions to Rs 3.1bn (3.6% of average advances). Despite this, calc. PCR dipped 30bps QoQ (+546bps YoY) to 44.9%, on a/c of high w/off. Other provisions of ~Rs 1.32bn incl. ~Rs 120mn of mandated provisions (@10% on the SMA 2 book) and ad-hoc provisions of Rs 1bn. Ad-hoc provisions were arrived at by way of a plug-in, to limit FY20 RoAAs to 1%. We've modelled LLPs of 1.75% over FY21-22E.
- Margins** dipped slightly QoQ (5bps), to 3.91%, but remained healthy nevertheless. Yields on advances fell 27bps QoQ, while CoF fell 10bps. Further, the CD ratio dipped 29bps QoQ and liquidity increased considerably. While the recent reduction in SA rates may provide some respite, we expect margins to trend downwards (in line with guidance) on a/c of (1) the high proportion of floating rate loans (~90%, ~20% linked to external benchmarks), (2) high proportion of short tenure working capital loans, and (3) high interest reversals on potential slippages. We consequently model for calc. NIMs of 3.7% over FY21-22E.

P/ABV Band Chart



Source: Bank, HSIE Research

*NII dipped slightly QoQ, on a/c of slight margin compression and sluggish loan growth*

*Treasury income boosted other income growth, as core fee income grew 4% QoQ (flat YoY)*

*We expect NIMs to compress, in line with management guidance*

*High w/offers limited GNPA and PCR growth*

*3 relatively large a/cs in the metals and beverage sectors a/c for ~30% of slippages*

### Five quarters at a glance

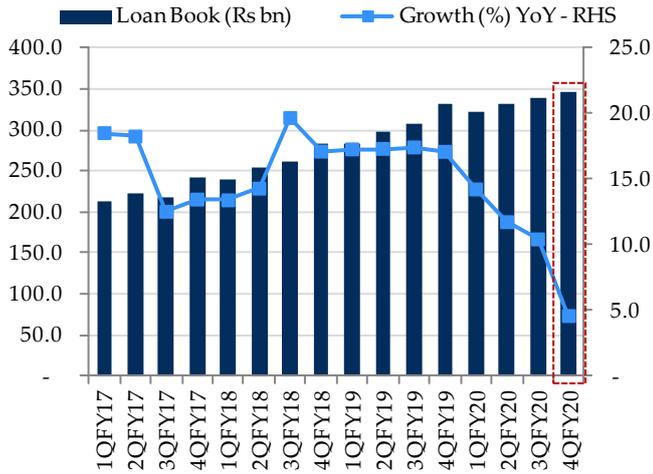
Rs mn	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY Growth	QoQ Growth
<b>Net interest income</b>	4,206	4,169	4,115	4,273	4,195	-0.3%	-1.8%
Non-interest income	1,469	1,633	1,950	1,424	1,793	22.1%	25.9%
Treasury income	256	446	789	418	790	208.6%	89.0%
Operating income	5,675	5,802	6,065	5,696	5,988	5.5%	5.1%
Operating expenses	2,297	2,288	2,600	2,612	2,637	14.8%	1.0%
<b>PPOP</b>	3,378	3,514	3,465	3,084	3,351	-0.8%	8.6%
Provisioning costs	907	1,158	1,080	810	4,504	396.7%	456.0%
PBT	2,471	2,356	2,385	2,274	(1,153)	NA	NA
Tax expenses	720	500	450	350	(200)	NA	NA
<b>PAT</b>	1,751	1,856	1,935	1,924	(953)	NA	NA
<b>Balance sheet items</b>							
Deposits (Rs bn)	384	391	405	398	408	6.2%	2.6%
CASA %	25.2	23.4	24.7	23.3	25.0	-25 bps	163 bps
Advances (Rs bn)	331	322	333	338	346	4.6%	2.2%
CD Ratio (%)	86.0	82.5	82.3	85.0	84.7	-132 bps	-29 bps
CAR (%)	15.6	15.7	15.5	15.4	16.8	121 bps	135 bps
Tier I (%)	15.0	15.2	15.0	14.9	15.8	77 bps	94 bps
<b>Profitability (%)</b>							
Yield on advances	11.07	10.97	10.76	10.73	10.46	-61 bps	-27 bps
Cost of deposits	6.27	6.27	6.25	6.17	6.07	-20 bps	-10 bps
NIM	4.40	4.11	3.91	3.96	3.91	-49 bps	-5 bps
Cost-income ratio	40.5	39.4	42.9	45.9	44.0	356 bps	-181 bps
Tax rate	29.1	21.2	18.9	15.4	NA	NA	NA
<b>Asset quality</b>							
Gross NPA (Rs mn)	9,771	10,762	11,354	11,854	14,134	44.7%	19.2%
Net NPA (Rs mn)	5,915	6,000	6,241	6,494	7,785	31.6%	19.9%
Gross NPAs (%)	2.95	3.34	3.41	3.50	4.09	114 bps	59 bps
Net NPAs (%)	1.81	1.89	1.90	1.95	2.29	48 bps	34 bps
Delinquency ratio (%)	2.57	2.45	2.45	2.74	5.62	305 bps	289 bps
Calc. PCR (%)	39.5	44.3	45.0	45.2	44.9	546 bps	-30 bps
Reported PCR (%)	63.0	65.0	65.0	65.5	65.0	200 bps	-46 bps
Restructured book (%)	0.15	0.20	0.35	0.59	0.86	71 bps	27 bps

### Change In Estimates

Rs mn	FY21E			FY22E		
	Old	New	Change	Old	New	Change
NII	18,046	17,265	-4.3%	20,082	18,943	-5.7%
PPOP	14,851	13,382	-9.9%	16,256	15,030	-7.5%
PAT	7,525	5,072	-32.6%	8,096	7,532	-7.0%
ABV (Rs)	72.3	65.1	-10.0%	83.2	76.5	-8.0%

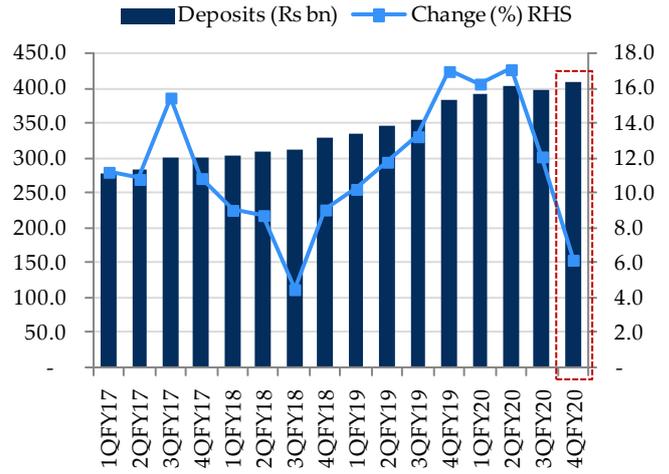
Source: HSIE Research

**Loan growth slows**



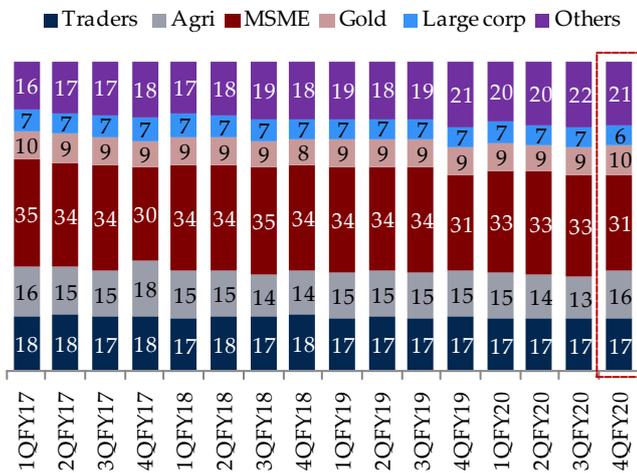
Source: Company, HSIE Research

**Deposit growth slows too**



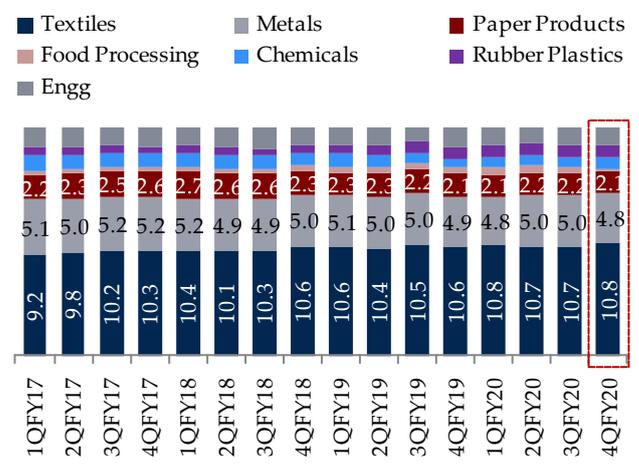
Source: Company, HSIE Research

**Loan mix- Slight increase in the share of agri loans**



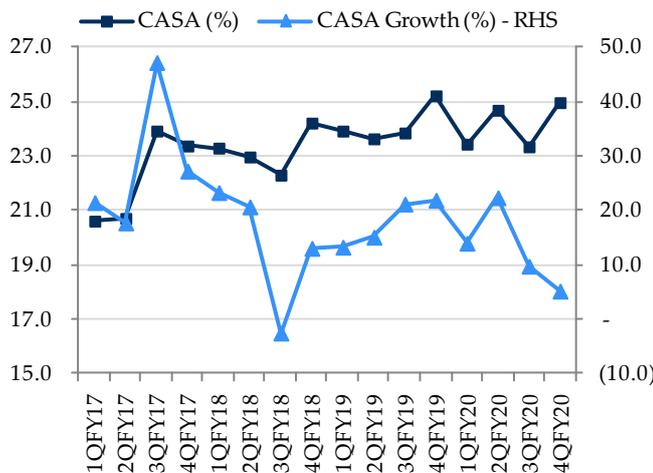
Source: Company, HSIE Research

**Major industries as a % of loans**



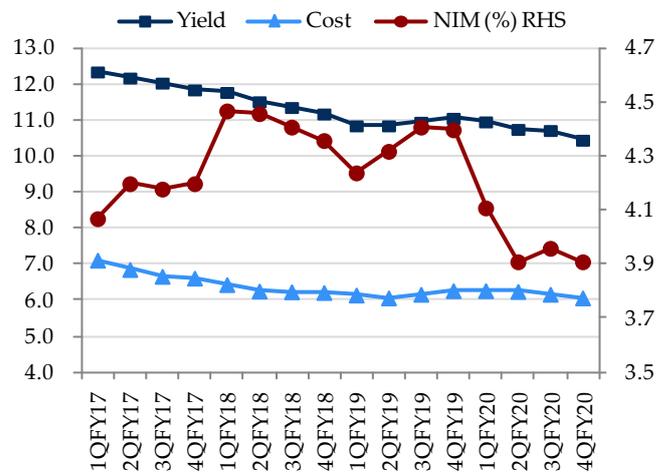
Source: Company, HSIE Research

**CASA ratio rises QoQ**



Source: Company, HSIE Research

**Slight QoQ NIM compression**

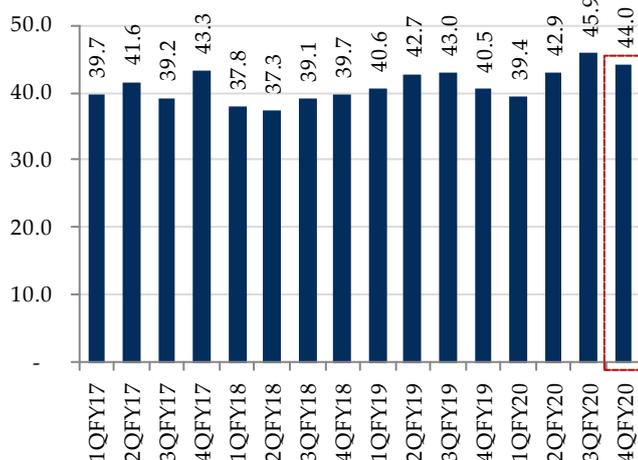


Source: Company, HSIE Research

**Treasury income boosts other income for the quarter**

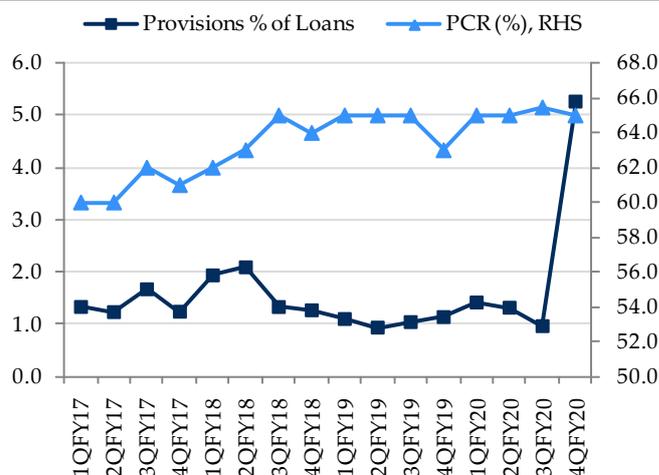
Rs mn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20
Fees	549	522	523	582	697	572	612	680	759	688	712	777	796	759	745	775
YoY	5.6	(4.7)	4.8	8.2	27.0	9.6	17.0	16.8	8.9	20.3	16.3	14.3	4.9	10.3	4.6	(0.3)
% Loans	1.0	0.9	1.0	1.0	1.2	0.9	0.9	1.0	1.1	0.9	0.9	0.9	1.0	0.9	0.9	0.9
<b>Treasury</b>	<b>491</b>	<b>415</b>	<b>793</b>	<b>357</b>	<b>390</b>	<b>646</b>	<b>344</b>	<b>301</b>	<b>193</b>	<b>213</b>	<b>208</b>	<b>256</b>	<b>446</b>	<b>789</b>	<b>418</b>	<b>790</b>
Others	71	105	112	320	266	334	261	217	339	284	278	436	391	402	260	228
<b>Total</b>	<b>1,111</b>	<b>1,042</b>	<b>1,428</b>	<b>1,259</b>	<b>1,353</b>	<b>1,552</b>	<b>1,217</b>	<b>1,198</b>	<b>1,291</b>	<b>1,185</b>	<b>1,198</b>	<b>1,469</b>	<b>1,633</b>	<b>1,950</b>	<b>1,423</b>	<b>1,793</b>
YoY	5.9	10.2	38.2	17.4	21.8	49.0	(14.8)	(4.8)	(4.6)	(23.6)	(1.6)	22.6	26.5	64.6	18.8	22.1
% Total inc	28.4	25.7	31.7	28.8	28.3	30.4	25.0	24.6	25.6	22.9	22.3	25.9	28.2	32.2	25.0	29.9

**C-I Rises Optically**



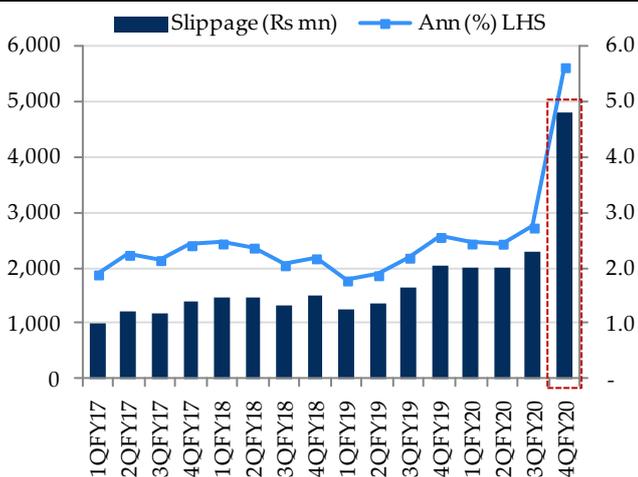
Source: Bank, HSIE Research

**PCR dips slightly QoQ**



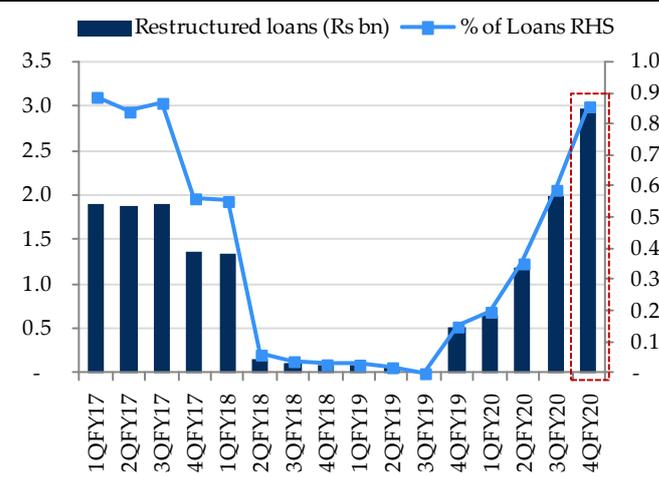
Source: Bank, HSIE Research

**Sharp rise in slippages**



Source: Bank, HSIE Research

**Restructured book at 86bps, on the rise**



Source: Bank, HSIE Research

### Asset quality movement: Sharp rise in slippages

(Rs mn)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	FY17	FY17	FY17	FY17	FY18	FY18	FY18	FY18	FY19	FY19	FY19	FY19	FY20	FY20	FY20	FY20
Opening	5,120	5,550	5,980	6,499	6,820	7,350	7,804	8,598	8,565	8,511	8,479	8,919	9,771	10,761	11,352	11,853
<b>Slippages</b>	<b>1,005</b>	<b>1,219</b>	<b>1,183</b>	<b>1,388</b>	<b>1,475</b>	<b>1,468</b>	<b>1,324</b>	<b>1,482</b>	<b>1,259</b>	<b>1,362</b>	<b>1,657</b>	<b>2,044</b>	<b>1,999</b>	<b>2,003</b>	<b>2,295</b>	<b>4,807</b>
<b>% Ann.</b>	<b>1.89</b>	<b>2.25</b>	<b>2.15</b>	<b>2.42</b>	<b>2.45</b>	<b>2.38</b>	<b>2.06</b>	<b>2.18</b>	<b>1.78</b>	<b>1.88</b>	<b>2.19</b>	<b>2.57</b>	<b>2.45</b>	<b>2.45</b>	<b>2.74</b>	<b>5.62</b>
Upgrades	62	233	56	205	153	70	119	91	120	104	136	136	112	132	974	140
Recoveries	182	220	146	357	281	374	389	579	498	554	461	467	368	656	302	318
Write-Offs	331	336	462	505	511	569	22	845	690	736	620	589	528	624	518	2,069
<b>Closing</b>	<b>5,550</b>	<b>5,980</b>	<b>6,499</b>	<b>6,820</b>	<b>7,350</b>	<b>7,804</b>	<b>8,598</b>	<b>8,565</b>	<b>8,516</b>	<b>8,479</b>	<b>8,919</b>	<b>9,771</b>	<b>10,761</b>	<b>11,352</b>	<b>11,853</b>	<b>14,133</b>
QoQ %	8.4	7.7	8.7	4.9	7.8	6.2	10.2	(0.4)	(0.6)	(0.4)	5.2	9.6	10.1	5.5	4.4	19.2

Source: Bank, HSIE Research

### Peer Set Comparison

	MCap (Rs bn)	CMP (Rs)	Rating	TP (Rs)	ABV (Rs)			P/E (x)			P/ABV (x)			ROAE (%)			ROAA (%)		
					FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AUBANK	144	474	ADD	549	124	137	163	23.3	22.9	18.8	3.72	3.37	2.83	16.6	13.3	14.1	1.61	1.35	1.39
AXSB#	1,144	405	BUY	541	268	292	341	67.1	11.8	8.8	1.44	1.32	1.12	2.1	10.4	12.4	0.19	0.98	1.20
<b>CUBK</b>	<b>101</b>	<b>137</b>	<b>BUY</b>	<b>164</b>	<b>61</b>	<b>65</b>	<b>77</b>	<b>21.3</b>	<b>19.9</b>	<b>13.4</b>	<b>2.24</b>	<b>2.10</b>	<b>1.79</b>	<b>9.4</b>	<b>9.2</b>	<b>12.3</b>	<b>1.00</b>	<b>1.00</b>	<b>1.38</b>
DCBB	25	79	ADD	100	93	94	114	7.3	8.1	6.4	0.85	0.84	0.70	10.3	8.5	9.9	0.91	0.76	0.89
FB	96	48	BUY	62	65	67	76	6.2	8.1	6.2	0.74	0.72	0.63	11.1	7.9	9.5	0.91	0.63	0.76
ICICIBC#	2,279	352	BUY	442	155	173	201	19.2	10.5	8.5	1.52	1.32	1.13	6.3	10.9	12.1	0.77	1.23	1.39
IIB	354	499	ADD	575	459	512	575	7.8	12.0	8.5	1.09	0.98	0.87	14.7	8.1	10.2	1.51	0.93	1.21
KMB#	2,578	1,303	ADD	1,282	240	292	330	32.7	32.9	28.0	4.23	3.58	3.06	13.6	11.6	11.1	1.78	1.67	1.75
KVB	22	28	REDUCE	33	56	53	62	9.4	5.6	4.8	0.50	0.52	0.45	3.7	6.0	6.9	0.33	0.53	0.59
RBK	84	165	REDUCE	136	185	194	215	16.6	17.2	10.2	0.89	0.85	0.77	5.6	4.5	7.2	0.60	0.53	0.84
SBIN#	1,604	180	BUY	270	176	167	207	4.1	5.9	2.9	0.38	0.41	0.32	6.4	4.4	8.2	0.38	0.26	0.48

Source: Company, HSIE Research, # Adjusted for subsidiaries value

# Financials

## Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
Interest earned	26,989	29,442	31,738	34,024	37,672	41,687	43,132	46,263
Interest expended	18,915	19,632	19,750	19,721	21,557	24,934	25,867	27,320
<b>Net interest income</b>	<b>8,074</b>	<b>9,810</b>	<b>11,988</b>	<b>14,303</b>	<b>16,115</b>	<b>16,753</b>	<b>17,265</b>	<b>18,943</b>
<b>Other income</b>	<b>4,041</b>	<b>4,100</b>	<b>4,839</b>	<b>5,321</b>	<b>5,144</b>	<b>6,784</b>	<b>6,256</b>	<b>7,197</b>
<i>Fee income (CEB)</i>	430	446	439	495	545	649	627	740
<i>Treasury income</i>	603	453	1,078	938	326	1,790	1,000	1,250
<b>Total income</b>	<b>12,115</b>	<b>13,910</b>	<b>16,827</b>	<b>19,624</b>	<b>21,259</b>	<b>23,536</b>	<b>23,521</b>	<b>26,140</b>
<b>Operating expenses</b>	<b>5,188</b>	<b>5,577</b>	<b>6,890</b>	<b>7,546</b>	<b>8,859</b>	<b>10,137</b>	<b>10,139</b>	<b>11,110</b>
<i>Employee expenses</i>	2,103	2,132	2,981	3,159	3,644	4,207	4,480	4,986
<b>PPOP</b>	<b>6,927</b>	<b>8,333</b>	<b>9,937</b>	<b>12,078</b>	<b>12,400</b>	<b>13,399</b>	<b>13,382</b>	<b>15,030</b>
Non-tax provisions	1,825	2,306	3,010	4,178	3,151	7,551	6,838	5,311
<i>Provision for NPAs</i>	1,720	2,262	2,595	3,045	2,722	6,503	7,088	5,561
<b>PBT</b>	<b>5,101</b>	<b>6,027</b>	<b>6,928</b>	<b>7,900</b>	<b>9,249</b>	<b>5,848</b>	<b>6,544</b>	<b>9,719</b>
Tax expenses	1,260	1,580	1,900	1,980	2,420	1,100	1,472	2,187
Exceptional items	-109	0	0	0	0	0	0	0
<b>PAT</b>	<b>3,950</b>	<b>4,447</b>	<b>5,028</b>	<b>5,920</b>	<b>6,829</b>	<b>4,748</b>	<b>5,072</b>	<b>7,532</b>

Source: Bank, HSIE Research

## Balance Sheet

(Rs mm)	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
<b>SOURCES OF FUNDS</b>								
Share capital	597	598	601	665	735	737	737	737
Reserves	26,359	29,922	35,101	40,968	47,673	52,223	57,016	64,134
<b>Shareholders' funds</b>	<b>26,955</b>	<b>30,520</b>	<b>35,702</b>	<b>41,632</b>	<b>48,408</b>	<b>52,961</b>	<b>57,753</b>	<b>64,871</b>
<i>Savings deposits</i>	29,626	36,133	46,297	51,705	64,837	72,726	78,544	86,398
<i>Current deposits</i>	16,681	19,192	24,092	27,862	32,145	29,244	29,975	31,024
<i>Term deposits</i>	194,443	216,256	230,768	248,959	287,498	306,355	320,972	353,141
<b>Total deposits</b>	<b>240,750</b>	<b>271,581</b>	<b>301,157</b>	<b>328,526</b>	<b>384,479</b>	<b>408,325</b>	<b>429,491</b>	<b>470,564</b>
Borrowings	1,688	1,125	5,310	17,359	4,810	20,324	15,452	14,356
Other liabilities & provisions	9,318	9,293	10,538	11,855	14,892	15,726	17,298	19,028
<b>Total liabilities</b>	<b>278,711</b>	<b>312,520</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>497,335</b>	<b>519,995</b>	<b>568,819</b>
<b>APPLICATION OF FUNDS</b>								
Cash & bank balances	25,368	26,001	28,790	26,364	29,633	47,216	46,392	41,648
Investments	58,707	63,245	70,315	78,791	77,122	91,168	95,175	103,407
G-Secs	54,875	59,050	66,906	76,344	74,764	89,395	93,170	101,139
Advances	179,655	210,569	238,327	278,528	326,733	339,274	357,337	401,155
Fixed assets	2,104	2,176	2,151	2,231	2,500	2,452	2,574	2,703
Other assets	12,878	10,530	13,126	13,458	16,600	17,225	18,517	19,906
<b>Total assets</b>	<b>278,711</b>	<b>312,520</b>	<b>352,708</b>	<b>399,372</b>	<b>452,589</b>	<b>497,335</b>	<b>519,995</b>	<b>568,819</b>

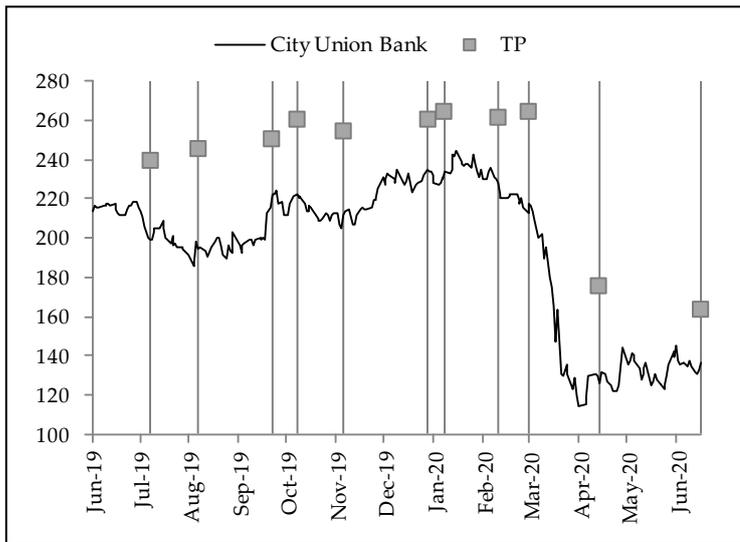
Source: Bank, HSIE Research

## Key Ratios

Particulars	FY15	FY16	FY17	FY18	FY19	FY20P	FY21E	FY22E
<b>Valuation ratios</b>								
EPS (Rs)	6.6	7.4	8.4	8.9	9.3	6.4	6.9	10.2
Earnings growth (%)	13.8	12.6	13.1	17.7	15.3	(30.5)	6.8	48.5
BVPS (Rs)	45.2	51.0	59.4	62.6	65.9	71.8	78.3	88.0
ABVPS (Rs)	41.3	45.6	52.6	55.5	57.9	61.3	65.1	76.5
DPS (Rs)	1.1	1.2	0.3	0.3	0.5	0.5	0.4	0.6
ROAA (%)	1.49	1.50	1.51	1.57	1.60	1.00	1.00	1.38
ROAE (%)	16.7	15.5	15.2	15.3	15.2	9.4	9.2	12.3
P/E (x)	20.7	18.4	16.4	15.4	14.7	21.3	19.9	13.4
P/ABV (x)	3.32	3.00	2.60	2.47	2.37	2.24	2.10	1.79
P/PPOP (x)	11.8	9.8	8.3	7.5	8.1	7.5	7.5	6.7
Dividend yield (%)	0.8	0.9	0.2	0.2	0.4	0.4	0.3	0.4
<b>Profitability (%)</b>								
Yield on advances	12.72	12.13	11.54	10.99	10.50	10.49	10.27	10.18
Yield on investment	8.33	8.87	8.06	7.01	7.10	7.25	7.00	7.00
Cost of funds	8.12	7.62	6.82	6.05	5.86	6.10	5.92	5.88
Cost of deposits	8.04	7.51	6.78	6.12	5.91	6.15	5.99	5.93
Core Spread	4.60	4.51	4.72	4.94	4.64	4.40	4.34	4.30
NIM	3.34	3.65	3.94	4.16	4.14	3.85	3.71	3.80
<b>Operating efficiency (%)</b>								
C-AA ratio (%)	2.0	1.9	2.1	2.0	2.1	2.1	2.0	2.0
Cost-income ratio (Excl. Treasury)	45.1	41.4	43.7	40.4	42.3	46.6	45.0	44.6
<b>Balance sheet structure ratios (%)</b>								
Loan growth	11.6	17.2	13.2	16.9	17.3	3.8	5.3	12.3
Deposit growth	9.3	12.8	10.9	9.1	17.0	6.2	5.2	9.6
C/D ratio	74.6	77.5	79.1	84.8	85.0	83.1	83.2	85.3
Equity/assets	9.7	9.8	10.1	10.4	10.7	10.6	11.1	11.4
Equity/advances	15.0	14.5	15.0	14.9	14.8	15.6	16.2	16.2
CASA	19.2	20.4	23.4	24.2	25.2	25.0	25.3	25.0
CRAR	16.5	15.6	15.8	16.2	15.6	16.8	15.8	15.5
W/w Tier I	16.0	15.1	15.4	15.8	15.0	15.8	15.3	15.1
<b>Asset quality</b>								
Gross NPLs (Rs mn)	3,358	5,120	6,820	8,565	9,770	14,133	19,288	17,279
Net NPLs (Rs mn)	2,328	3,232	4,083	4,748	5,915	7,785	9,731	8,449
Gross NPLs (%)	1.86	2.41	2.83	3.03	2.95	4.07	5.26	4.21
Net NPLs (%)	1.30	1.53	1.71	1.70	1.81	2.29	2.72	2.11
Slippages (%)	2.50	2.20	2.14	2.22	2.09	3.33	4.00	2.50
Coverage ratio (%)	30.7	36.9	40.1	44.6	39.5	44.9	49.6	51.1
Provision/avg. Loans (%)	0.97	1.05	1.12	1.17	0.89	1.89	2.02	1.45
<b>RoAA Tree</b>								
Net interest income	3.05%	3.32%	3.60%	3.80%	3.78%	3.53%	3.39%	3.48%
Non-interest income	1.53%	1.39%	1.45%	1.42%	1.21%	1.43%	1.23%	1.32%
Treasury Income	0.23%	0.15%	0.32%	0.25%	0.08%	0.38%	0.20%	0.23%
Operating cost	1.96%	1.89%	2.07%	2.01%	2.08%	2.13%	1.99%	2.04%
Non-tax provisions	0.69%	0.78%	0.90%	1.11%	0.74%	1.59%	1.34%	0.98%
Provisions For NPAs	0.62%	0.69%	0.76%	0.81%	0.63%	1.33%	1.38%	1.01%
Tax expenses	0.48%	0.53%	0.57%	0.53%	0.57%	0.23%	0.29%	0.40%
ROAA	1.45%	1.50%	1.51%	1.57%	1.60%	1.00%	1.00%	1.38%
Leverage (x)	11.2	10.3	10.0	9.7	9.5	9.4	9.2	8.9
ROAE	16.3%	15.5%	15.2%	15.3%	15.2%	9.4%	9.2%	12.3%

Source: Bank, HSIE Research

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
9-Jul-19	200	BUY	240
9-Aug-19	194	BUY	246
22-Sep-19	213	BUY	251
9-Oct-19	220	BUY	261
8-Nov-19	212	BUY	255
30-Dec-19	232	BUY	261
9-Jan-20	230	BUY	265
12-Feb-20	228	BUY	262
2-Mar-20	215	BUY	265
15-Apr-20	129	BUY	176
19-Jun-20	137	BUY	164

From 2<sup>nd</sup> March 2020, we have moved to new rating system

**Rating Criteria**

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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