

# City Union Bank

## Best amongst peers

CUBK's 1QFY21 earnings were ahead of our estimates on account of lower-than-expected operating expenditure and higher-than-expected treasury gains. Expectedly, sequential balance sheet growth was negligible. The sharp reduction in the proportion of the portfolio under moratorium to just ~12.5% was heartening, and the bank's performance on this front is significantly better than that of its peers, despite its high share of SME loans. We maintain a BUY with a target price of Rs 164 (2.1x FY22E ABV). Our assigned multiple reflects the bank's (1) strong PPOP profile and capital position, which are capable of absorbing shocks, and (2) consistent performance across most parameters. It remains our preferred pick amongst the mid-tier banks.

- Asset quality and moratorium trends:** GNPA's dipped 4.8% QoQ to Rs 13.46bn (3.9%), as there were negligible slippages. However, this was aided by the standstill classification benefit. The portfolio under moratorium registered a sharp fall and now stands at ~12.5%. It represents loans outstanding of borrowers who have not paid a single instalment. We find the progress on this front heartening; CUBK has performed much better than its peers have on this front. Nevertheless, we have conservatively kept our slippage estimates unchanged at ~4% in FY21E. CUBK saw a 6.1x/+30.6% YoY/QoQ rise in its restructured book; it now constitutes 1.12% of loans. The management guides for slippages of ~3.5% in FY21E, and expects to restructure 4.5-5% of loans (mostly from the moratorium book).
- Provisioning:** CUBK's non-tax provisions dipped 65.1% QoQ to Rs 1.57bn, but remained elevated nevertheless (+35.6%). Even as NPA provisions registered a sharp 65.3/83.9% fall to Rs 500mn, calc. PCR rose 253/186bps to 46.8%. The bank made COVID-related provisions of Rs 1bn, taking the total stock of such provisions to ~Rs 2bn (~60bps). We anticipate the bank to make LLPs of 1.72% over FY21-22E.
- Loan growth:** Credit growth was muted at 7.2/-0.1% YoY/QoQ. Here, the following trends stood out - (1) term loans grew 26.3/10.7% while working capital credit (58.9% of loans) dipped 2.4/6.2%. It can be attributed to the conversion of interest on working capital loans into FITLs; (2) credit to the CRE sector (8.2% of loans) grew 40.6/1.8%; and (3) non-agri jewel loans (2.4% of loans) grew 2.2x/15.1%. The bank disbursed Rs 12.2bn under the NCGTC scheme, and it expects to disburse Rs 16.3bn more. This will be a major contributor to incremental credit in the near term. We expect loan growth of ~9% over FY21-22E.

### Financial Summary

(Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20E	FY21E	FY22E
Net int Inc.	4,370	4,169	4.8%	4,195	4.2%	16,115	16,752	17,265	18,951
PPOP	3,560	3,514	1.3%	3,351	6.3%	12,400	13,414	13,969	15,072
PAT	1,540	1,856	-17.0%	-953	NA	6,829	4,763	5,268	7,551
EPS (Rs)	2.1	2.5	-17.3%	-1.3	NA	9.3	6.5	7.1	10.2
ROAE (%)						15.2	9.4	9.5	12.3
ROAA (%)						1.60	1.00	1.04	1.39
Adj. BVPS (Rs)						57.9	61.3	65.5	76.6
P/ABV (x)						2.02	1.91	1.78	1.53
P/E (x)						12.6	18.1	16.3	11.4

Source: Bank, HSIE Research.

## BUY

CMP (as on 13 Aug 2020)	Rs 117
Target Price	Rs 164
NIFTY	11,300

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 164	Rs 164
EPS %	FY21E	FY22E
	+3.9%	+0.3%

### KEY STOCK DATA

Bloomberg code	CUBK IN
No. of Shares (mn)	737
MCap (Rs bn) / (\$ mn)	86/1,151
6m avg. traded value (Rs mn)	276
52 Week high / low	Rs 249/110

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(10.3)	(47.5)	(39.5)
Relative (%)	(30.0)	(39.9)	(43.1)

### SHAREHOLDING PATTERN (%)

	Mar-20	June-20
Promoters	0.0	0.0
FIs & Local MFs	34.6	29.5
FPIs	20.8	21.7
Public & Others	44.6	48.8

Pledged Shares

Source : BSE

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- **Funding trends:** Overall deposit growth slowed to 5/0.5% and was in tandem with slowing loan growth. YoY deposit growth was led by 10.2/-1% growth in CASA deposits, which in turn was led by 14.2/-1% growth in SA deposits. Given CUBK's granular deposit base, we believe that the bank is comfortably placed on this front. On the capital front too, CUBK is comfortably placed, with a CRAR of 16.8% and Tier 1 of 15.7%. Here too, CUBK is the best amongst peers.
- **Margins:** Surprisingly, CUBK's NIMs expanded 7bps QoQ to 3.98% (albeit down 13bps YoY). Yields on advances were relatively sticky at 10.4% (down just 5bps QoQ, -56bps YoY). CoD dipped 38/18bps to 5.89%. We expect CUBK's NIMs to compress in the near term, given its large floating-rate book. We have factored in NIMs of 3.75% over FY21-22E.

#### Outstanding balances of accounts which were in default as of 29th February, 2020

Particulars	As of 15th June, 2020		As of 31st July, 2020	
	Number of a/cs	Value o/s (Rs bn)	Number of a/cs	Value o/s (Rs bn)
SMA 0	571	1.75	471	2.04
SMA 1	1,102	3.48	926	3.41
SMA 2	327	1.22	171	0.83
<b>Total</b>	<b>2,000</b>	<b>6.45</b>	<b>1,568</b>	<b>6.28</b>

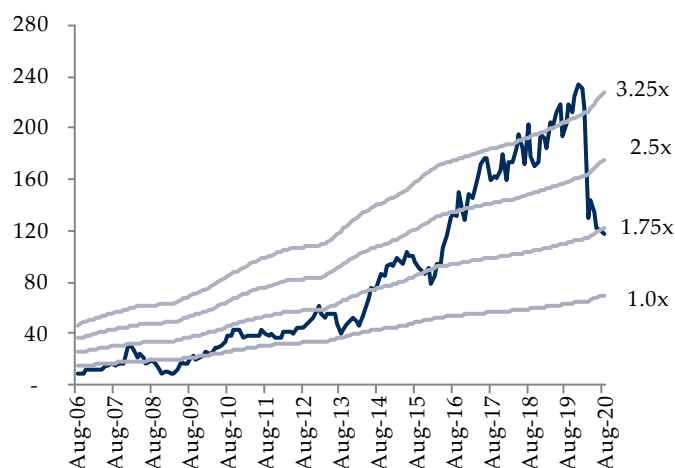
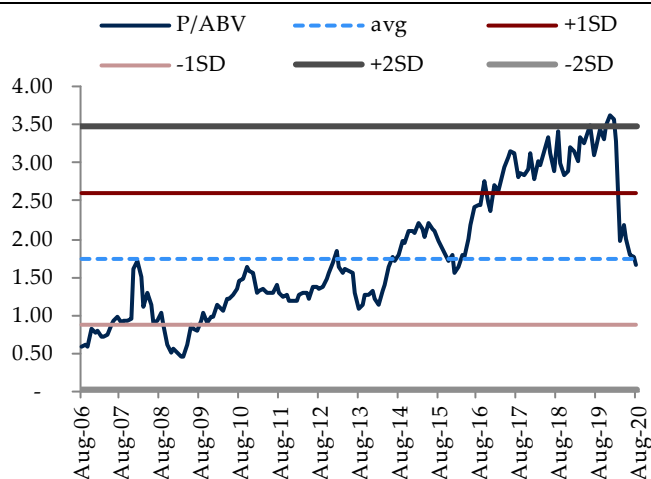
Source: Bank, HSIE Research

#### Repayment status of accounts as of 30th June, 2020

Particulars	1 monthly instalment/ interest	2 monthly instalments/ interest	3 monthly instalments/ interest	4 monthly instalments/ interest
Term loans	73.46%	56.74%	51.04%	46.17%
CC/OD	98.24%	91.90%	89.94%	88.20%
<b>Total</b>	<b>87.55%</b>	<b>76.74%</b>	<b>73.16%</b>	<b>70.07%</b>

Source: Bank, HSIE Research

#### P/ABV Band Chart



Source: Bank, HSIE Research

## Five quarters at a glance

NII was slightly ahead of estimates

Treasury income limited the fall in non-interest income

As a result of higher than expected treasury income and lower than expected operating expenditure, PPOP was 16.5% higher than estimates

The slight QoQ NIM expansion, aided by sticky yields on advances, was surprising

Lower slippage and decline in GNPA's was aided by the standstill classification benefit

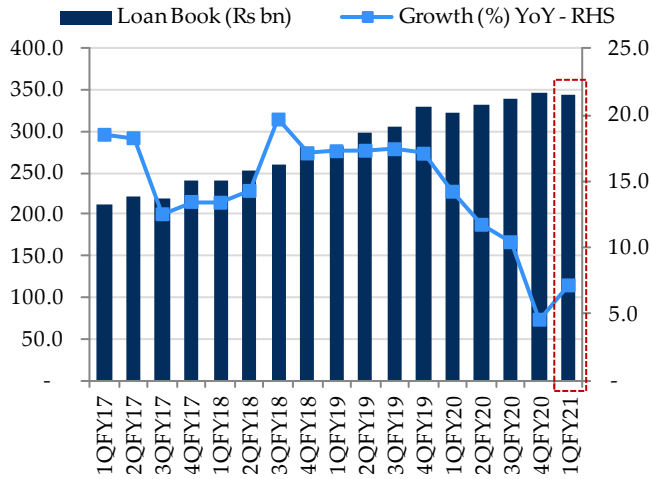
Rs mn	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY Growth	QoQ Growth
Net interest income	4,169	4,115	4,273	4,195	4,370	4.8%	4.2%
Non-interest income	1,633	1,950	1,424	1,793	1,606	-1.7%	-10.4%
Treasury income	446	789	418	790	1,085	143.2%	37.3%
Operating income	5,802	6,065	5,696	5,988	5,976	3.0%	-0.2%
Operating expenses	2,288	2,600	2,612	2,637	2,415	5.6%	-8.4%
PPOP	3,514	3,465	3,084	3,351	3,560	1.3%	6.3%
Provisioning costs	1,158	1,080	810	4,504	1,570	35.6%	-65.1%
PBT	2,356	2,385	2,274	(1,153)	1,990	-15.5%	-272.6%
Tax expenses	500	450	350	(200)	450	-10.0%	-325.0%
PAT	1,856	1,935	1,924	(953)	1,540	-17.0%	-NA
<b>Balance sheet items</b>							
Deposits (Rs bn)	391	405	398	408	410	5.0%	0.5%
CASA %	23.4	24.7	23.3	25.0	24.6	117 bps	-36 bps
Advances (Rs bn)	322	333	338	346	345	7.2%	-0.1%
CD Ratio (%)	82.5	82.3	85.0	84.7	84.2	171 bps	-50 bps
CAR (%)	15.7	15.5	15.4	16.8	16.8	109 bps	1 bps
Tier I (%)	15.2	15.0	14.9	15.8	15.7	52 bps	-11 bps
<b>Profitability (%)</b>							
Yield on advances	10.97	10.76	10.73	10.46	10.41	-56 bps	-5 bps
Cost of deposits	6.27	6.25	6.17	6.07	5.89	-38 bps	-18 bps
NIM	4.11	3.91	3.96	3.91	3.98	-13 bps	7 bps
Cost-income ratio	39.4	42.9	45.9	44.0	40.4	99 bps	-362 bps
Tax rate	21.2	18.9	15.4	17.3	22.6	139 bps	526 bps
<b>Asset quality</b>							
Gross NPA (Rs mn)	10,762	11,354	11,854	14,134	13,461	25.1%	-4.8%
Net NPA (Rs mn)	6,000	6,241	6,494	7,785	7,164	19.4%	-8.0%
Gross NPAs (%)	3.34	3.41	3.50	4.09	3.90	56 bps	-19 bps
Net NPAs (%)	1.89	1.90	1.95	2.29	2.11	22 bps	-18 bps
Delinquency ratio (%)	2.45	2.45	2.74	5.62	0.04	-241 bps	-558 bps
Calc. PCR (%)	44.3	45.0	45.2	44.9	46.8	253 bps	186 bps
Reported PCR (%)	65.0	65.0	65.5	65.0	68.0	300 bps	300 bps
Restructured book (%)	0.20	0.35	0.59	0.86	1.12	93 bps	26 bps

## Change In Estimates

Rs mn	FY21E			FY22E		
	Old	New	Change	Old	New	Change
NII	17,265	17,265	0.0%	18,944	18,951	0.0%
PPOP	13,378	13,969	4.4%	15,028	15,072	0.3%
PAT	5,068	5,268	3.9%	7,530	7,551	0.3%
ABV (Rs)	65.1	65.5	0.6%	76.5	76.6	0.1%

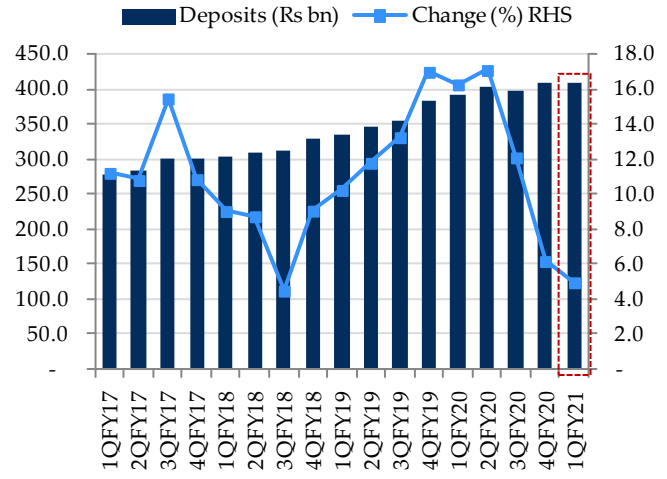
Source: HSIE Research

### Loan growth slows



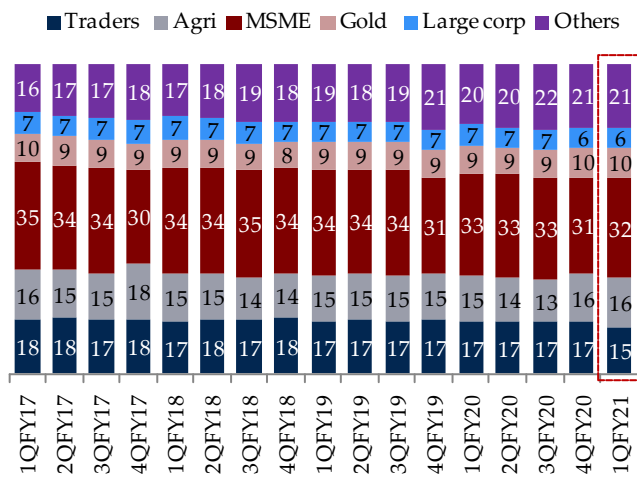
Source: Company, HSIE Research

### Deposit growth slows too



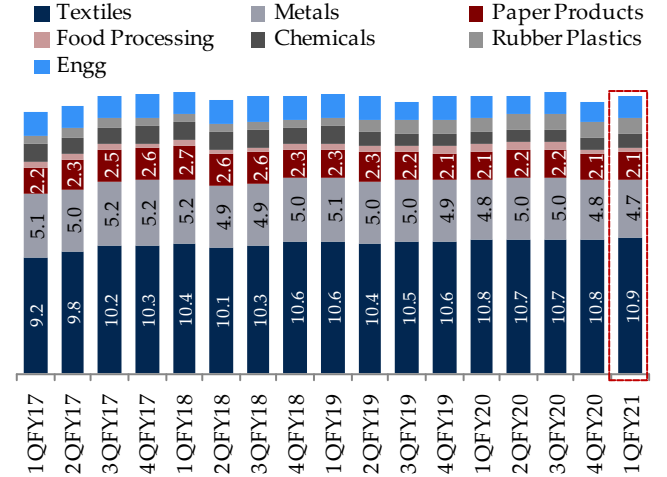
Source: Company, HSIE Research

### Loan mix split



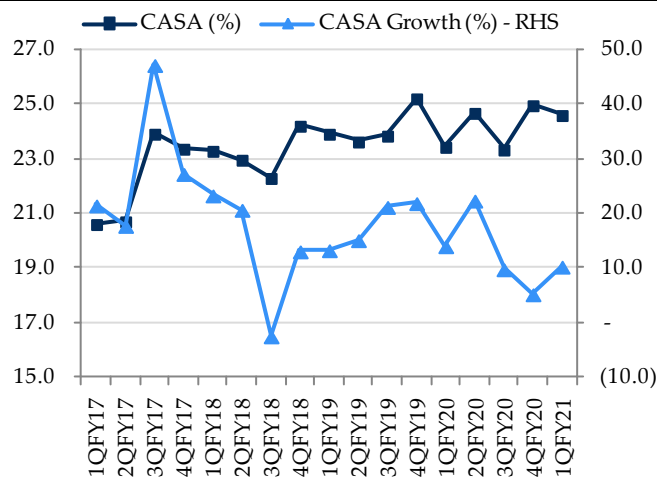
Source: Company, HSIE Research

### Major industries as a % of loans



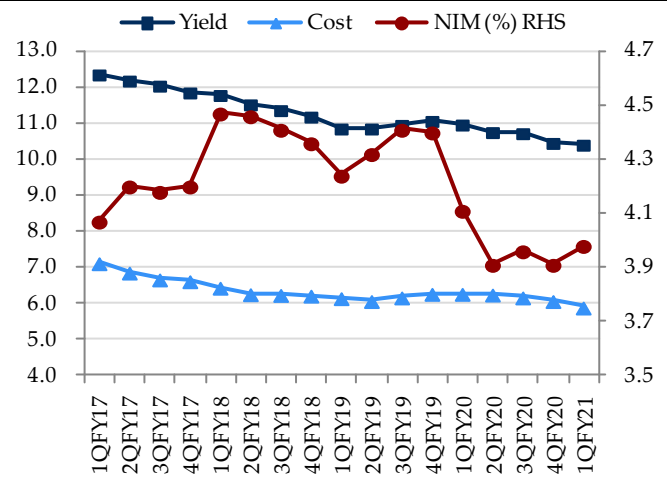
Source: Company, HSIE Research

### CASA ratio falls QoQ



Source: Company, HSIE Research

### NIMs expand slightly QoQ (surprisingly)

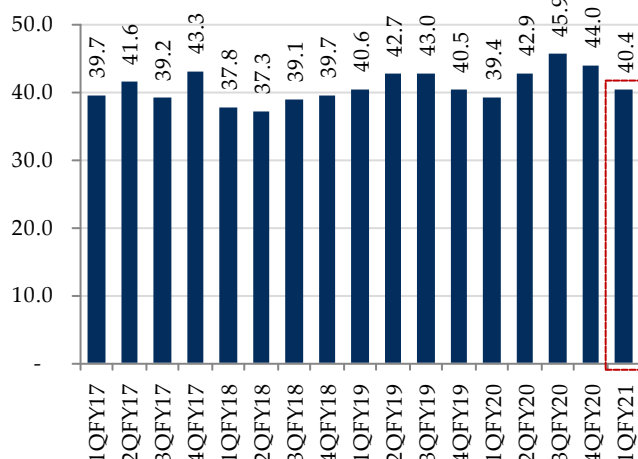


Source: Company, HSIE Research

## Non-interest income boosted by treasury gains

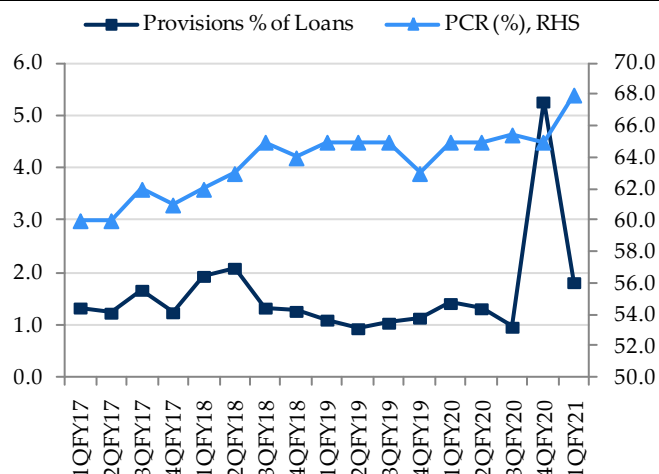
Rs mn	1Q FY17	2Q FY17	3Q FY17	4Q FY17	1Q FY18	2Q FY18	3Q FY18	4Q FY18	1Q FY19	2Q FY19	3Q FY19	4Q FY19	1Q FY20	2Q FY20	3Q FY20	4Q FY20	1Q FY21
Fees	549	522	523	582	697	572	612	680	759	688	712	777	796	759	745	775	456
YoY	5.6	(4.7)	4.8	8.2	27.0	9.6	17.0	16.8	8.9	20.3	16.3	14.3	4.9	10.3	4.6	(0.3)	(42.7)
% 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	0.5
Treasury	491	415	793	357	390	646	344	301	193	213	208	256	446	789	418	790	1,085
Others	71	105	112	320	266	334	261	217	339	284	278	436	391	402	260	228	65
<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>	<b>1,606</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	(1.7)
% 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	26.9

## C-I ratio trends



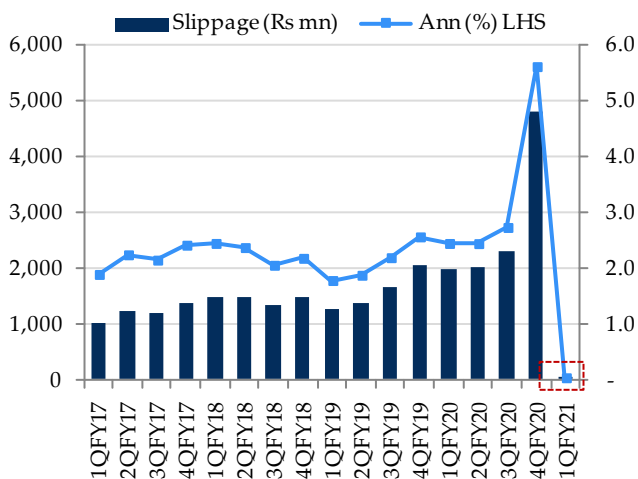
Source: Bank, HSIE Research

## PCR rises QoQ



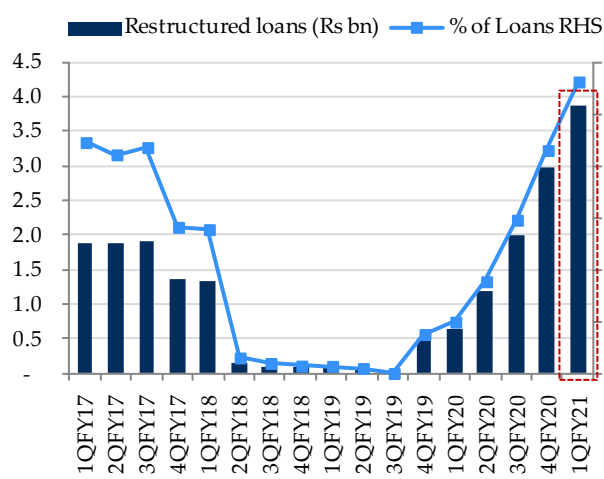
Source: Bank, HSIE Research

## Negligible slippages



Source: Bank, HSIE Research

## A sharp rise in the restructured book



Source: Bank, HSIE Research

**Asset quality movement: Negligible slippages, due to the standstill classification benefit**

(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	1Q FY21
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	14,134
<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>34</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>	<b>0.04</b>
Upgrades	62	233	56	205	153	70	119	91	120	104	136	136	112	132	974	140	69
Recoveries	182	220	146	357	281	374	389	579	498	554	461	467	368	656	302	318	131
Write-Offs	331	336	462	505	511	569	22	845	690	736	620	589	528	624	518	2,069	507
<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>	<b>13,461</b>
<b>QoQ %</b>	<b>8.4</b>	<b>7.7</b>	<b>8.7</b>	<b>4.9</b>	<b>7.8</b>	<b>6.2</b>	<b>10.2</b>	<b>(0.4)</b>	<b>(0.6)</b>	<b>(0.4)</b>	<b>5.2</b>	<b>9.6</b>	<b>10.1</b>	<b>5.5</b>	<b>4.4</b>	<b>19.2</b>	<b>(4.8)</b>

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 (%)		
					FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E	FY20	FY21E	FY22E
AUBANK	218	717	ADD	724	135	148	175	31.7	31.8	27.0	5.20	4.75	4.02	18.6	14.5	14.8	1.61	1.41	1.47
AXSB#	1,264	448	BUY	565	268	291	344	74.5	13.7	9.8	1.60	1.47	1.23	2.1	9.8	12.2	0.19	0.93	1.18
<b>CUBK</b>	<b>86</b>	<b>117</b>	<b>BUY</b>	<b>164</b>	<b>61</b>	<b>65</b>	<b>77</b>	<b>18.1</b>	<b>16.3</b>	<b>11.4</b>	<b>1.91</b>	<b>1.78</b>	<b>1.53</b>	<b>9.4</b>	<b>9.5</b>	<b>12.3</b>	<b>1.00</b>	<b>1.04</b>	<b>1.39</b>
DCBB	26	82	ADD	103	93	94	113	7.6	8.6	6.7	0.89	0.88	0.73	10.3	8.3	9.8	0.91	0.76	0.90
FB	108	54	BUY	64	65	64	75	7.0	9.0	6.9	0.83	0.84	0.72	11.1	8.0	9.6	0.91	0.64	0.75
IIB	400	519	ADD	584	459	511	580	8.1	13.8	9.3	1.13	1.01	0.89	14.7	7.6	9.7	1.51	0.91	1.23
KMB#	2,643	1,336	ADD	1,331	232	287	328	34.2	34.0	29.0	4.58	3.76	3.18	13.9	11.8	11.1	1.78	1.66	1.70
KVB	28	35	REDUCE	35	60	51	62	12.0	8.7	6.2	0.59	0.69	0.57	3.6	4.8	6.7	0.34	0.46	0.61
RBK	94	185	REDUCE	148	185	196	215	18.6	19.4	11.5	1.00	0.95	0.86	5.6	4.5	7.2	0.60	0.53	0.82
SBIN#	1,801	202	BUY	286	175	170	210	5.2	7.0	3.6	0.48	0.51	0.40	6.4	4.6	8.3	0.38	0.27	0.48

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

# Financials

## Income Statement

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Interest earned	26,989	29,442	31,738	34,024	37,672	41,686	43,132	46,264
Interest expended	18,915	19,632	19,750	19,721	21,557	24,934	25,867	27,313
<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>16,752</b>	<b>17,265</b>	<b>18,951</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>6,799</b>	<b>6,853</b>	<b>7,238</b>
<i>Fee income (CEB)</i>	430	446	439	495	545	554	435	683
<i>Treasury income</i>	603	453	1,078	938	326	1,596	2,000	1,500
<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>23,551</b>	<b>24,118</b>	<b>26,189</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>10,149</b>	<b>11,118</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>13,414</b>	<b>13,969</b>	<b>15,072</b>
Non-tax provisions	1,825	2,306	3,010	4,178	3,151	7,551	7,172	5,328
<i>Provision for NPAs</i>	1,720	2,262	2,595	3,045	2,722	6,503	7,172	5,378
<b>PBT</b>	<b>5,101</b>	<b>6,027</b>	<b>6,928</b>	<b>7,900</b>	<b>9,249</b>	<b>5,863</b>	<b>6,797</b>	<b>9,743</b>
Tax expenses	1,260	1,580	1,900	1,980	2,420	1,100	1,529	2,192
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>4,763</b>	<b>5,268</b>	<b>7,551</b>

Source: Bank, HSIE Research

## Balance Sheet

(Rs mm)	FY15	FY16	FY17	FY18	FY19	FY20	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	57,202	64,337
<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>57,939</b>	<b>65,075</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	320,973	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	14,357
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>520,181</b>	<b>569,023</b>
<b>APPLICATION OF FUNDS</b>								
Cash & bank balances	25,368	26,001	28,790	26,364	29,633	47,216	46,568	41,831
Investments	58,707	63,245	70,315	78,791	77,122	91,168	95,184	103,428
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>520,181</b>	<b>569,023</b>

Source: Bank, HSIE Research



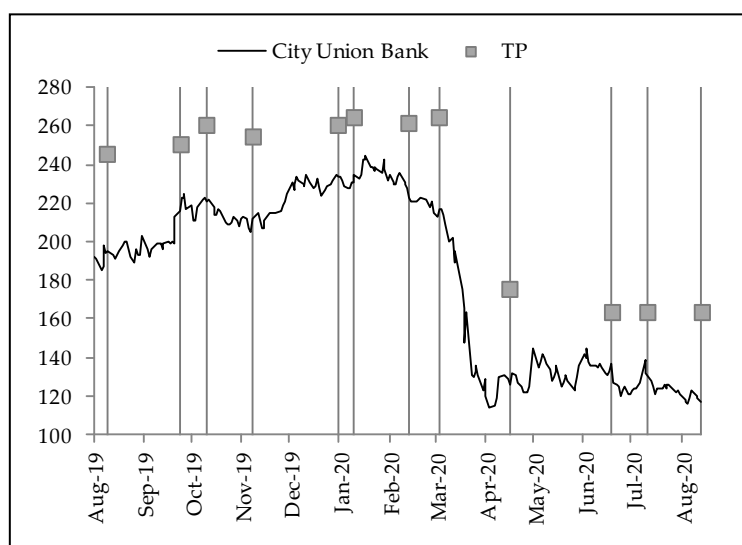
## Key Ratios

Particulars	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
<b>Valuation ratios</b>								
EPS (Rs)	6.6	7.4	8.4	8.9	9.3	6.5	7.1	10.2
Earnings growth (%)	13.8	12.6	13.1	17.7	15.3	(30.2)	10.6	43.3
BVPS (Rs)	45.2	51.0	59.4	62.6	65.9	71.8	78.6	88.3
ABVPS (Rs)	41.3	45.6	52.6	55.5	57.9	61.3	65.5	76.6
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	1.04	1.39
RoAE (%)	16.7	15.5	15.2	15.3	15.2	9.4	9.5	12.3
P/E (x)	17.6	15.7	14.0	13.1	12.6	18.1	16.3	11.4
P/ABV (x)	2.83	2.56	2.22	2.10	2.02	1.91	1.78	1.53
P/PPOP (x)	10.1	8.4	7.1	6.4	6.9	6.4	6.2	5.7
Dividend yield (%)	0.9	1.0	0.3	0.3	0.4	0.4	0.3	0.5
<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	5.87
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	46.2	45.9	45.0
<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	16.1	15.8
w/w Tier I	16.0	15.1	15.4	15.8	15.0	15.8	15.2	15.1
<b>Asset quality</b>								
Gross NPLs (Rs mn)	3,358	5,120	6,820	8,565	9,770	14,133	19,289	17,281
Net NPLs (Rs mn)	2,328	3,232	4,083	4,748	5,915	7,785	9,663	8,609
Gross NPLs (%)	1.86	2.41	2.83	3.03	2.95	4.09	5.26	4.22
Net NPLs (%)	1.30	1.53	1.71	1.70	1.81	2.29	2.70	2.15
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	49.9	50.2
Provision/avg. Loans (%)	0.97	1.05	1.12	1.17	0.89	1.89	2.04	1.40
<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%	1.35%	1.33%
Treasury Income	0.23%	0.15%	0.32%	0.25%	0.08%	0.34%	0.39%	0.28%
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%	1.41%	0.98%
Provisions For NPAs	0.62%	0.69%	0.76%	0.81%	0.63%	1.33%	1.40%	0.97%
Tax expenses	0.48%	0.53%	0.57%	0.53%	0.57%	0.23%	0.30%	0.40%
ROAA	1.45%	1.50%	1.51%	1.57%	1.60%	1.00%	1.04%	1.39%
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%	9.5%	12.3%

Source: Bank, HSIE Research



## RECOMMENDATION HISTORY



Date	CMP	Reco	Target
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
10-Jul-20	138	BUY	164
14-Aug-20	117	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

**Disclosure:**

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