

# State Bank of India

BSE SENSEX 55,329  
 S&P CNX 16,451

**CMP: INR407 TP: INR600 (+47%) Buy**

Motilal Oswal values your support in the Asiamoney Brokers Poll 2021 for India Research, Sales, Corporate Access and Trading team.

We request your ballot.



## Stock Info

Bloomberg	SBIN IN
Equity Shares (m)	8,925
M.Cap.(INRb)/(USDb)	3631.9 / 48.8
52-Week Range (INR)	467 / 176
1, 6, 12 Rel. Per (%)	-9/-7/64
12M Avg Val (INR M)	15821
Free float (%)	43.1

## Financials Snapshot (INR b)

Y/E March	FY21	FY22E	FY23E
NII	1,107.1	1,201.1	1,382.1
OP	715.5	798.0	933.9
NP	204.1	320.8	412.0
NIM (%)	3.0	2.9	3.0
EPS (INR)	22.9	35.9	46.2
EPS Gr. (%)	40.9	57.2	28.4
ABV (INR)	220.6	252.9	298.7
Cons. BV (INR)	294.2	330.2	377.7

## Ratios

RoE (%)	9.3	13.1	14.6
RoA (%)	0.5	0.7	0.8

## Valuations

P/BV (x) (Cons.)	1.4	1.2	1.1
P/ABV (x)	1.0	0.9	0.7
P/E (x)	9.5	6.0	4.7

\*Price adjusted for value of subs

## PPOP conversion to PAT gaining traction; asset quality resilient

Robust performance by subsidiaries – contributes ~32% to overall SoTP

- SBIN has demonstrated a strong improvement in asset quality, with GNPA's declining by 43% over the past three years, while PCR increased to 68% currently from 40% four years back. Fresh slippages moderated sharply to 1.2% in FY21 (2.5% in 1QFY22), lower v/s many of its private peers.
- AUCA book stood at INR1.72t – higher than the GNPL pool, with recoveries in the 6-11% range. Over the past five years, the bank has recovered ~INR400b from the AUCA book. We expect the recovery trends to continue as the IBC process gains pace after a long pause due to the COVID-19 restrictions.
- SBIN appears well positioned to report strong uptick in earnings, led by moderation in credit cost from FY22. The bank has historically delivered over 15% RoE for 10 years, before the worst phase of the corporate cycle hit earnings to the point that it reported back-to-back losses in FY17/FY18. During FY19-21, SBIN has shown a remarkable improvement in asset quality, reducing net NPLs to 1.8% at present from 5.7% in FY18, while PCR stands comparable to many well-run Private Banks.
- We estimate 14% CAGR in PPOP over FY21-23E (v/s 6% CAGR over FY18-21). Overall PPOP to provision coverage should strengthen to 2.5x by FY23E (v/s an average of 1.3x over FY18-21), while RoE expands sharply to ~15% and reach their decadal highs in FY23E. SBIN remains among our top Buys in the Banking space with a TP of INR600 (1.4x FY23E ABV+INR190 from subsidiaries/JVs).

## Balance Sheet cleansing largely over; asset quality outlook strong

SBIN's focus on strengthening its Balance Sheet has enabled a sharp decline in GNPA's to INR1.3t in FY21 from INR2.2t in FY18. GNPA's declined by ~43% over the past three years, while PCR increased to 68% at present (85% PCR on the corporate book) from 40% four years back. The bank has cumulatively written off INR1.5t since FY18. The improvement in asset quality has been sharper than most peers, including Private Banks. While 1QFY22 saw a marginal increase, we believe that the Balance Sheet cleansing is largely complete, with the focus to shift to earnings recovery and pursuing growth. Controlled restructuring (0.8%) and SMA book (0.5%) provides further comfort on asset quality and will drive a sustained reduction in credit cost.

## AUCA book has increased to INR1.72t; recoveries to support earnings

SBIN's AUCA book has increased to INR1.72t (18% CAGR since FY18). This is now significantly higher than the GNPL pool, with historical recoveries in the 6-11% range. Over the past five years, the bank has recovered ~INR400b from the AUCA book. We expect recovery trends to continue (SBIN expects recovery of over INR100b over FY22) as the IBC process gathers pace after a long pause due to the COVID-19 outbreak. Even prior to IBC, the bank reported a 9-11% historical recovery rate from its AUCA book. In FY21, normal recoveries were higher ~61%. There are few other big ticket accounts under resolution like DHFL, etc., which would support asset quality and an earnings recovery.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

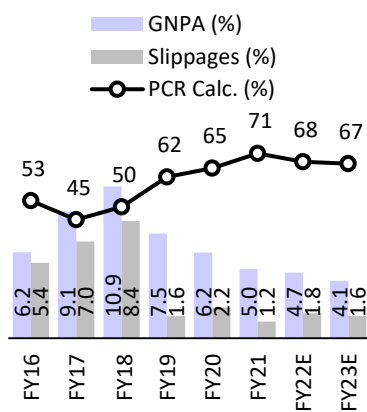
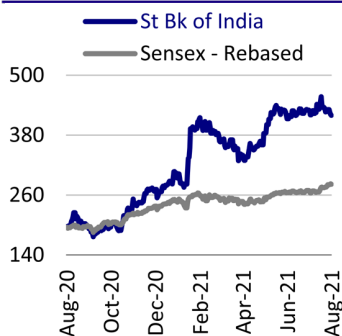
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**Shareholding pattern (%)**

As On	Jun-21	Mar-21	Jun-20
Promoter	56.9	56.9	56.9
DII	24.0	24.3	24.6
FII	11.4	11.1	9.1
Others	7.6	7.7	9.4

FII Includes depository receipts

**Stock performance (one-year)**



**Mix of doubtful and loss NPLs rises to 39% v/s 10% in FY18**

The mix of loss and D3 assets combined has increased to ~39% v/s ~10% in FY18. This signifies the diminishing requirement of ageing provisions and higher recovery prospects from fully-provided/written-off accounts. It now has 85% coverage on its Corporate book, while overall PCR, at 68%, stands higher than what is required as per the ECL methodology. Management has conservatively guided at credit cost of up to 2% for FY22, led by higher provisioning requirement in the SME and Agri book.

**Asset quality performance resilient in 1QFY22, despite the second COVID wave**

Despite a challenging 1QFY22 on account of the second COVID wave, the bank demonstrated a resilient performance, as fresh slippages stood at INR156.7b (annualized slippage ratio of ~2.6%, which was lower than many private peers). Although slippages were slightly elevated, led by the Retail/SME portfolio, the management clarified that slippage worth ~INR48b had already been recovered/upgraded in Jul'21. GNPA/NNPA ratio stood at 5.32%/1.77%, while PCR stood at 67.9%. The restructured book remains in check, while SMA 1/2 (exposure of over INR50m) was stable QoQ at 0.5% of loans. This bodes well for asset quality trends in the coming quarters.

**Subsidiaries remain strong industry-leading compounding machines**

SBIN's subsidiaries – SBI MF, SBI Life Insurance, SBI General Insurance, and SBICARD – have displayed robust performances and turned market leaders in their respective segments. The contribution of subsidiaries to SoTP has increased significantly, they now contribute ~32% to SoTP (~42% on the CMP). We expect the robust performances from subsidiaries to continue and add value to overall SoTP. Value unlocking from SBI MF and SBI General Insurance could result in further gains.

**The elephant is set to dance; RoE to improve to ~15%**

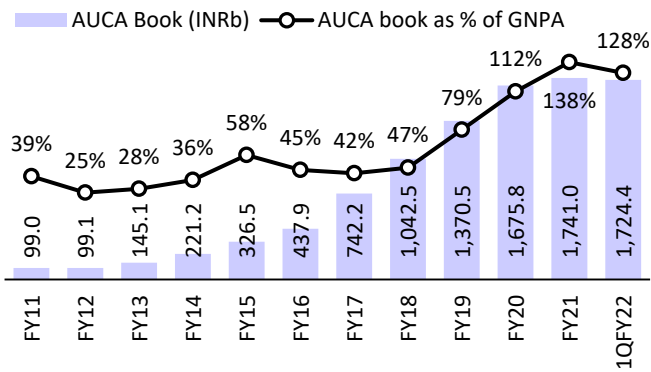
SBIN's earnings in FY21 have been more than the sum of what it did in the preceding five years (FY16-20). Its FY22 earnings will be close to the sum of the past six years (FY16-21). SBIN appears well positioned to report a strong uptick in earnings, led by normalization in credit cost. This, along with an expected uptick in core operating performance, will further propel earnings growth. We estimate PPOP at 14% CAGR over FY21-23E v/s 6% CAGR over FY18-21, enabling the bank to achieve ~15% RoE (decadal high) by FY23E.

**Valuation and view**

SBIN has historically delivered over 15% RoE for 10 years, before the worst phase of the corporate cycle hit earnings, to the point that the bank reported back-to-back losses in FY17/FY18. It reported a strong FY21/1QFY22 in a challenging environment. Deposit growth stood strong, led by healthy CASA trends, while loan growth is likely to recover gradually over FY22-23E. Asset quality outlook remains particularly encouraging. The management has improved PCR to ~68%. Continued recoveries would further support the earnings momentum. SBIN holds unutilized COVID-related provisions of ~INR91b, which should limit credit cost. SBIN has reported a RoE of ~9.5% in FY21 – the highest since AQR started in FY16 and is now aiming to reclaim 15% RoE in the medium term. We project a RoA/RoE of 0.8%/14.6% by FY23E, and reiterate SBIN as our top BUY with a **TP of INR600/share (1.4x FY23E ABV + INR190/share from subsidiaries)**.

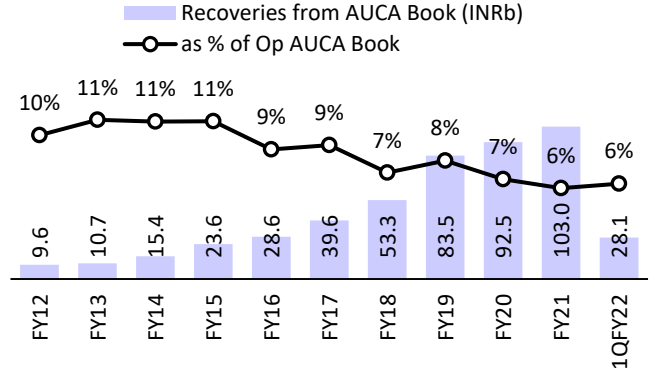
Story in charts

**Exhibit 1: SBIN carries technically written off pool of INR1.72t**



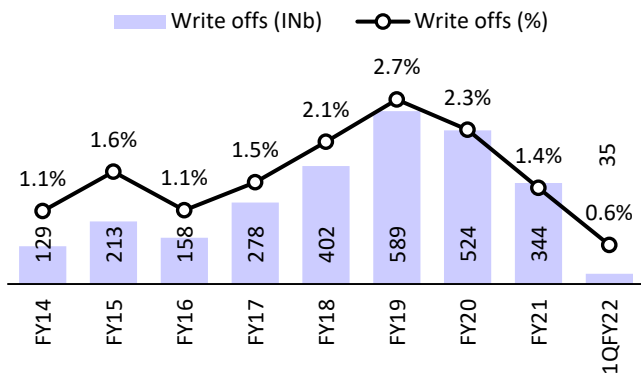
Source: Company, MOFSL

**Exhibit 2: Strong recoveries from the AUCA book**



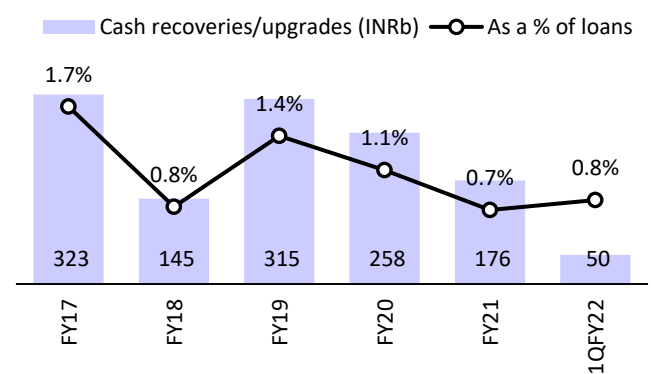
Source: Company, MOFSL

**Exhibit 3: SBIN writes off ~INR2.2t over the past five years**



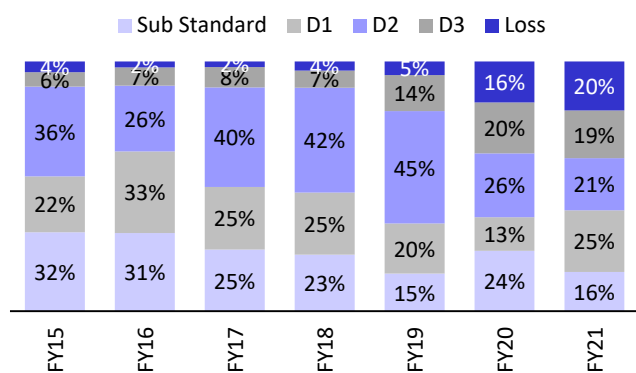
Source: Company, MOFSL

**Exhibit 4: Healthy cash recoveries and upgrades**



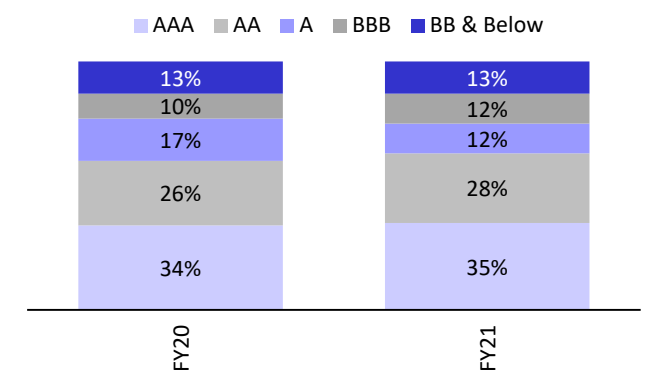
Source: Company, MOFSL

**Exhibit 5: Higher proportion of loss and D3 category accounts reflect the lower requirement of aging provisions**



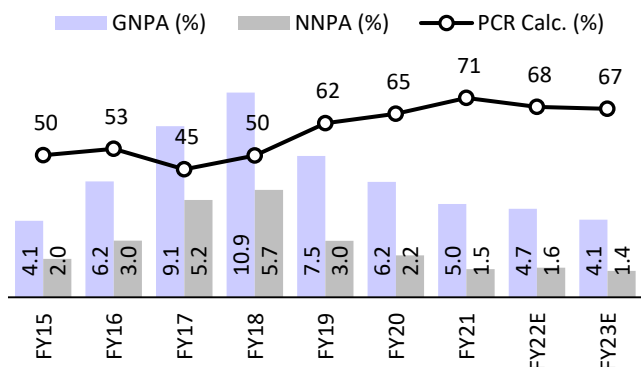
Source: Company, MOFSL, Basel III Disclosure

**Exhibit 6: Rating mix – 75% of the Corporate portfolio is rated A and above**



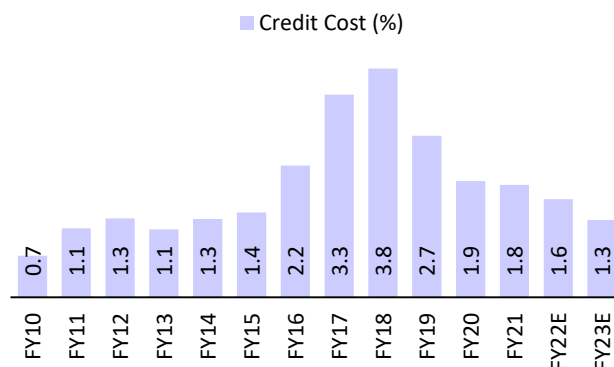
Source: Company, MOFSL

**Exhibit 7: Coverage ratio improves by ~1,750bp over the past three years to ~68% as on 1QFY22**



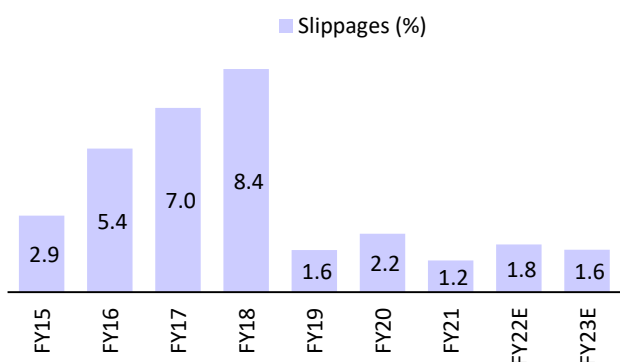
Source: Company, MOFSL

**Exhibit 8: Credit cost witnesses steady moderation, to be the key driver of earnings recovery**



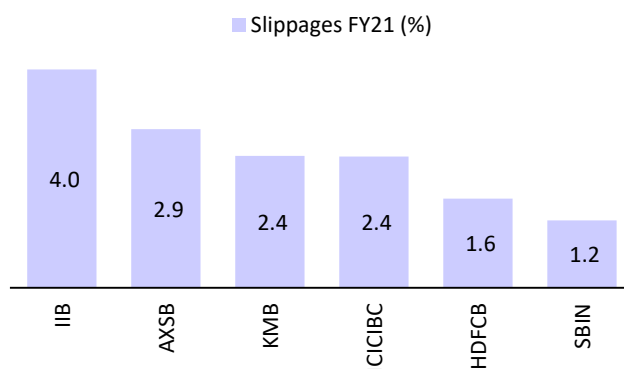
Source: Company, MOFSL

**Exhibit 9: SBIN witnesses moderation in slippages over the past few years, expect it to remain under control**



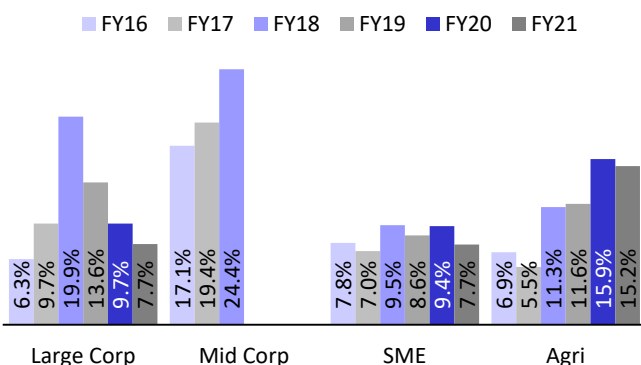
Source: Company, MOFSL

**Exhibit 10: Slippage ratio among the lowest, better than even large Private Banks**



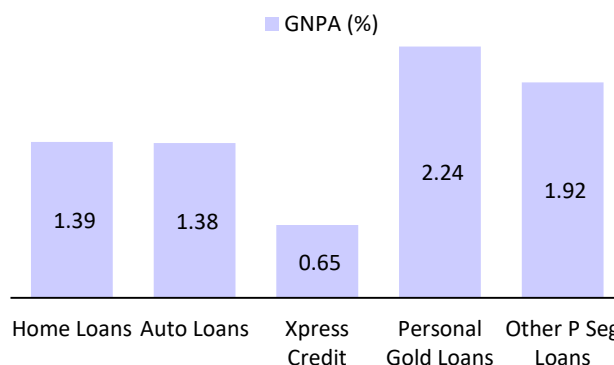
Source: Company, MOFSL

**Exhibit 11: NPL ratio witnesses moderation across most segments**



Source: Company, MOFSL

**Exhibit 12: Asset quality in the Retail segment is comparable to large Private Banks; GNPA at 1.28% of total Retail loans**



Source: Company, MOFSL

**Exhibit 13: SMA book across Banks**

1QFY22 (% of loans)	BOB	BOI	CBK	INBK	PNB	SBIN	UNBK
SMA 0	NA	0.80	1.38	NA	NA	NA	NA
SMA 1	2.68	0.65	0.59	4.50	0.91	0.33	NA
SMA 2		1.18	1.06	2.39	1.72	0.14	1.71

Source: MOSL, Company

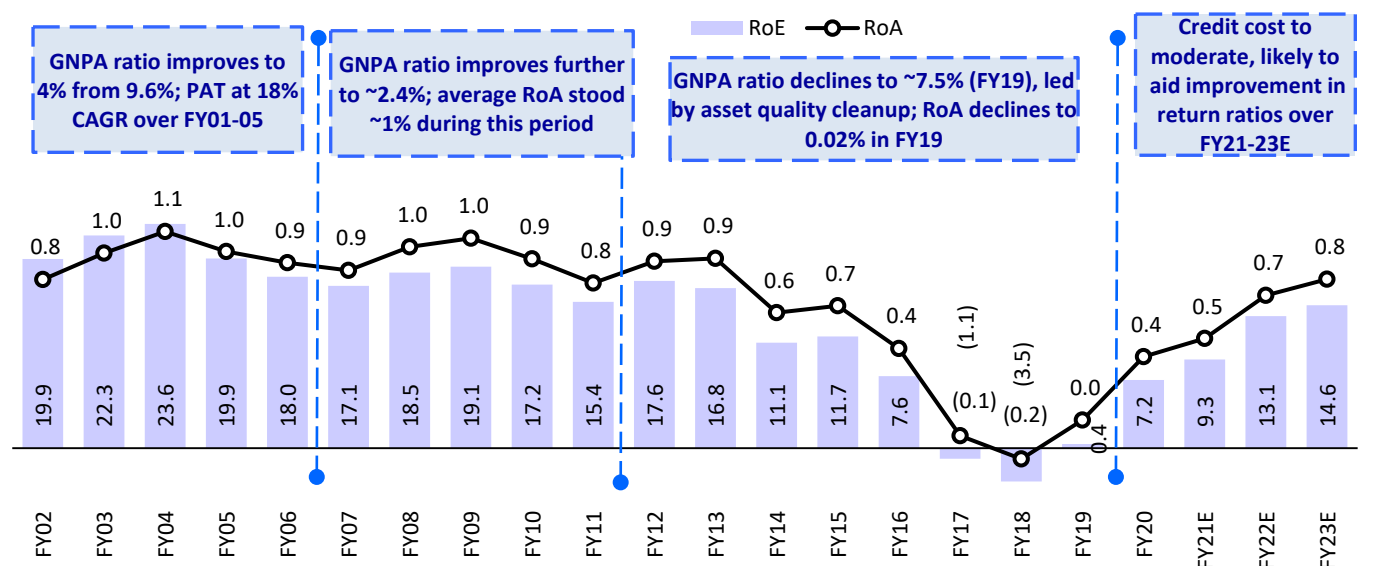
Restructuring book for SBIN stands ~0.8% and is comparable to larger private peers

**Exhibit 14: Snapshot of the restructuring book across Banks**

INR b	Restructured book			
	Absolute	Dec'20	Mar'21	Jun'21
AXSB	29.1	0.42%	0.30%	0.44%
BANDHAN	52.8	NA	0.76%	7.06%
DCBB	13.7	2.70%	4.26%	5.39%
HDFCB	91.8	0.50%	0.57%	0.80%
ICICIBC	48.6	0.40%	0.54%	0.66%
IIB	56.9	0.60%	1.80%	2.70%
KMB	5.5	0.28%	0.19%	0.25%
FB	24.1	0.90%	1.07%	1.86%
RBK	11.5	1.00%	1.58%	2.03%
AUBANK	12.7	0.80%	1.85%	3.73%
BOB	215.8	1.40%	1.34%	3.23%
SBIN	202.3	0.77%	0.73%	0.83%
INBK	98.4	1.62%	1.64%	2.70%
PNB	133.9	1.82%	NA	2.02%
UNBK	156.3	0.56%	1.10%	2.70%
BOI	112.6	2.54%	NA	3.04%
CBK	183.2	1.62%	NA	2.82%

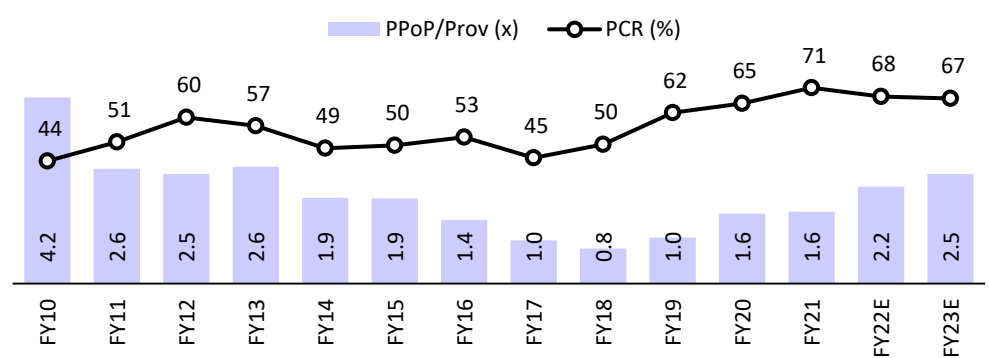
Source: MOFSL, Company

**Exhibit 15: Return ratios to improve gradually with RoE reverting back to double digits over FY22-23E**



Source: MOSL, Company

**Exhibit 16: Operating profit to provisioning gap is widening, which shows earnings normalization; PCR improves substantially over the past few years**



Source: MOSL, Company

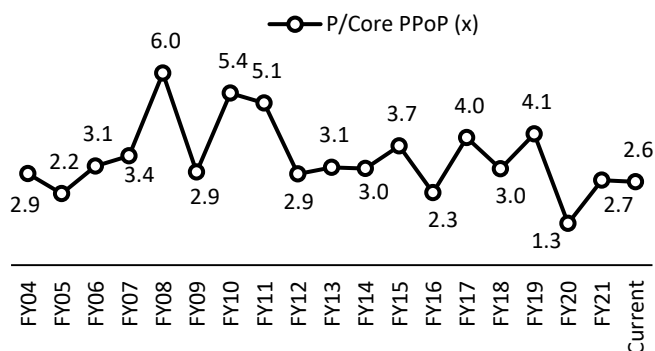
## Valuation and view

- SBIN has strengthened its Balance Sheet by creating higher provisions toward stressed accounts. It raised its PCR (including TWO) to ~86% in 1QFY22 (from ~65% in 1QFY18). It holds a higher (~85%) PCR on corporate NPAs.
- The bank has one of the best liability franchises (CASA mix: ~46%). This puts it in a better position to manage pressure on yields. This, along with a lower cost of funds, would continue to support margin to a large extent.
- Subsidiaries – SBI MF, SBILIFE, SBICARD, and SBI Cap – have exhibited robust performances over the last few years, supporting SoTP valuation for the bank.
- Asset quality deteriorated marginally over 1QFY22 on fresh slippages of INR157b (2.7% of loans), weighed by higher slippage from the Retail/SME segment. However, the bank is expected to have recovered/upgraded ~INR48b in Jul'21. The GNPA/NNPA ratio increased by 34bp/27bp QoQ to 5.32%/1.77%. While slippage could remain elevated in the near term, we expect slippage to moderate meaningfully over 2HFY22 as asset quality remains impeccable in the Retail book. We estimate credit costs of 1.6%/1.3% for FY22E/FY23E.
- Among PSU Banks, SBIN remains the best play on a gradual recovery in the Indian economy, with a healthy PCR (~68%), Tier I of ~11.3%, a strong liability franchise, and improved core operating profitability.
- **Buy with a TP of INR600/share:** SBIN reported a steady performance in a challenging environment, with strong earnings led by controlled provisions. While business trends were modest, impacted by the lockdowns, loan growth is likely to recover gradually over FY22-23E. Its asset quality outlook remains particularly encouraging, despite elevated slippage, led by Retail/SME. However, restructuring and the SMA pool remains in check. We expect slippage to subside going forward, assuming there is no third COVID wave or no severe impact from it. PCR remains healthy (~68%). It also holds unutilized COVID-related provisions of ~INR91b. The bank is well on track to keep credit costs in check. We project RoA/RoE of 0.8%/14.6% by FY23E. **We maintain our BUY rating, with an unchanged TP of INR600/share (1.4x FY23E ABV + INR190/share from subsidiaries).**

### Exhibit 17: SoTP-based pricing

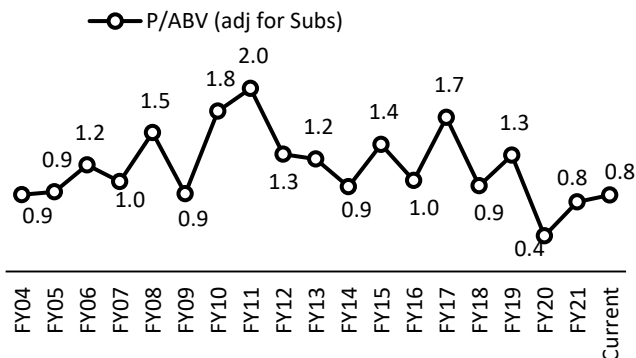
Name	Stake (%)	Value for SBIN (INR b)	Value per share (at our TP)	As a percentage of total value	Rationale
<b>SBI Bank</b>	<b>100</b>	<b>3,656</b>	<b>410</b>	<b>68</b>	<b>❖ 1.4x FY23E ABV</b>
Life Insurance	56	704	79	13	❖ 2.5x FY23E EV
Cards	69	787	88	15	❖ 41x FY23E PAT
Asset Management	63	255	29	5	❖ 32x FY23E PAT
General Insurance	70	144	16	3	❖ 25x FY23E PAT
Yes Bank	30	85	10	2	❖ Based on CMP
Capital Market/DFHI/Others		148	17	3	
<b>Total value of subsidiaries</b>		<b>2,122</b>	<b>238</b>	<b>40</b>	
Less: 20% holding discount		424	48	8	
<b>Value of subsidiaries (post holding discount)</b>		<b>1,698</b>	<b>190</b>	<b>32</b>	
<b>Target price</b>		<b>5,354</b>	<b>600</b>		

Exhibit 18: P/Core PPOP for FY22E is trading at 2.6x...



Source: MOFSL, Company

Exhibit 19: ...while P/ABV (adjusted for subsidiaries) is trading at 0.8x



Source: MOFSL, Company

Exhibit 20: DuPont Analysis: Return ratios to improve gradually over FY23E

Y/E MARCH	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	7.89	7.28	6.52	6.81	6.74	6.25	6.05	6.08
Interest Expense	5.23	4.83	4.31	4.33	4.17	3.64	3.52	3.46
<b>Net Interest Income</b>	<b>2.66</b>	<b>2.44</b>	<b>2.21</b>	<b>2.48</b>	<b>2.57</b>	<b>2.61</b>	<b>2.52</b>	<b>2.63</b>
Fee income	0.74	0.94	0.92	0.94	0.96	0.88	0.82	0.80
Trading and others	0.49	0.44	0.40	0.09	0.22	0.14	0.14	0.14
<b>Non-Interest income</b>	<b>1.23</b>	<b>1.39</b>	<b>1.32</b>	<b>1.03</b>	<b>1.19</b>	<b>1.03</b>	<b>0.96</b>	<b>0.94</b>
<b>Total Income</b>	<b>3.88</b>	<b>3.83</b>	<b>3.53</b>	<b>3.51</b>	<b>3.76</b>	<b>3.63</b>	<b>3.48</b>	<b>3.56</b>
<b>Operating Expenses</b>	<b>1.91</b>	<b>1.90</b>	<b>1.77</b>	<b>1.95</b>	<b>1.97</b>	<b>1.95</b>	<b>1.81</b>	<b>1.79</b>
Employee cost	1.08	1.10	0.98	1.15	1.20	1.20	1.11	1.10
Others	0.83	0.79	0.79	0.80	0.77	0.75	0.69	0.69
<b>Operating Profit</b>	<b>1.97</b>	<b>1.93</b>	<b>1.76</b>	<b>1.55</b>	<b>1.79</b>	<b>1.69</b>	<b>1.68</b>	<b>1.77</b>
<b>Core Operating Profit</b>	<b>1.48</b>	<b>1.49</b>	<b>1.36</b>	<b>1.47</b>	<b>1.56</b>	<b>1.54</b>	<b>1.54</b>	<b>1.64</b>
<b>Provisions</b>	<b>1.37</b>	<b>1.97</b>	<b>2.22</b>	<b>1.49</b>	<b>1.13</b>	<b>1.04</b>	<b>0.77</b>	<b>0.72</b>
NPA	1.29	1.80	2.11	1.53	1.13	0.64	0.86	0.67
Others	0.08	0.17	0.11	-0.04	0.00	0.39	-0.09	0.05
<b>PBT</b>	<b>0.60</b>	<b>-0.04</b>	<b>-0.46</b>	<b>0.06</b>	<b>0.66</b>	<b>0.65</b>	<b>0.91</b>	<b>1.06</b>
Tax	0.17	0.02	-0.27	0.04	0.28	0.17	0.24	0.28
<b>RoA</b>	<b>0.43</b>	<b>-0.06</b>	<b>-0.19</b>	<b>0.02</b>	<b>0.38</b>	<b>0.48</b>	<b>0.67</b>	<b>0.78</b>
Leverage (x)	17.0	17.6	18.0	18.3	18.9	19.4	19.4	18.7
<b>RoE</b>	<b>7.2</b>	<b>-1.0</b>	<b>-3.5</b>	<b>0.4</b>	<b>7.2</b>	<b>9.3</b>	<b>13.1</b>	<b>14.6</b>



## Financials and valuations

Income Statement							(INR b)	
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	
Interest Income	2,239.8	2,205.0	2,428.7	2,573.2	2,651.5	2,876.1	3,200.9	
Interest Expense	1,487.8	1,456.5	1,545.2	1,592.4	1,544.4	1,675.1	1,818.8	
<b>Net Interest Income</b>	<b>752.0</b>	<b>748.5</b>	<b>883.5</b>	<b>980.8</b>	<b>1,107.1</b>	<b>1,201.1</b>	<b>1,382.1</b>	
Change (%)	3.9	-0.5	18.0	11.0	12.9	8.5	15.1	
<b>Non-Interest Income</b>	<b>426.4</b>	<b>446.0</b>	<b>367.7</b>	<b>452.2</b>	<b>435.0</b>	<b>456.7</b>	<b>493.2</b>	
<b>Total Income</b>	<b>1,178.4</b>	<b>1,194.5</b>	<b>1,251.2</b>	<b>1,433.1</b>	<b>1,542.1</b>	<b>1,657.8</b>	<b>1,875.3</b>	
Change (%)	11.4	1.4	4.7	14.5	7.6	7.5	13.1	
Operating Expenses	583.8	599.4	696.9	751.7	826.5	859.8	941.4	
<b>Pre Provision Profit</b>	<b>594.6</b>	<b>595.1</b>	<b>554.4</b>	<b>681.3</b>	<b>715.5</b>	<b>798.0</b>	<b>933.9</b>	
Change (%)	10.7	0.1	-6.8	22.9	5.0	11.5	17.0	
<b>Core Provision Profit</b>	<b>458.5</b>	<b>460.9</b>	<b>522.9</b>	<b>595.6</b>	<b>655.2</b>	<b>731.7</b>	<b>860.9</b>	
Change (%)	-4.3	0.5	13.5	13.9	10.0	11.7	17.7	
Provisions (exc. tax)	607.2	750.4	531.3	430.7	440.1	364.4	377.1	
<b>PBT</b>	<b>-12.6</b>	<b>-155.3</b>	<b>23.1</b>	<b>250.6</b>	<b>275.4</b>	<b>433.6</b>	<b>556.8</b>	
Tax	5.5	-89.8	14.5	105.7	71.3	112.7	144.8	
Tax Rate (%)	-43.3	57.8	62.6	42.2	25.9	26.0	26.0	
<b>PAT</b>	<b>-18.0</b>	<b>-65.5</b>	<b>8.6</b>	<b>144.9</b>	<b>204.1</b>	<b>320.8</b>	<b>412.0</b>	
Change (%)	NM	NM	NM	NM	40.9	57.2	28.4	
<b>Cons. PAT post MI</b>	<b>2.4</b>	<b>-45.6</b>	<b>23.0</b>	<b>197.7</b>	<b>224.1</b>	<b>347.8</b>	<b>449.7</b>	
Change (%)	-98.0	NM	NM	NM	13.3	55.2	29.3	
<b>Balance Sheet</b>								
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	
Share Capital	8	9	9	9	9	9	9	
Reserves and Surplus	2,110	2,182	2,200	2,311	2,530	2,840	3,240	
<b>Net Worth</b>	<b>2,118</b>	<b>2,191</b>	<b>2,209</b>	<b>2,320</b>	<b>2,539</b>	<b>2,849</b>	<b>3,249</b>	
<b>Deposits</b>	<b>25,853</b>	<b>27,063</b>	<b>29,114</b>	<b>32,416</b>	<b>36,813</b>	<b>40,494</b>	<b>45,151</b>	
Change (%)	15.4	4.7	7.6	11.3	13.6	10.0	11.5	
<b>of which CASA Deposits</b>	<b>11,988</b>	<b>12,039</b>	<b>12,976</b>	<b>14,337</b>	<b>16,713</b>	<b>18,789</b>	<b>21,176</b>	
Change (%)	39.3	0.4	7.8	10.5	16.6	12.4	12.7	
Borrowings	3,321	3,621	4,030	3,147	4,173	4,522	4,926	
Other Liabilities and Prov.	1,756	1,671	1,456	1,631	1,820	1,947	2,103	
<b>Total Liabilities</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,813</b>	<b>55,428</b>	
Current Assets	2,709	1,919	2,225	2,511	3,430	3,321	3,449	
<b>Investments</b>	<b>9,329</b>	<b>10,610</b>	<b>9,670</b>	<b>10,470</b>	<b>13,517</b>	<b>15,950</b>	<b>17,705</b>	
Change (%)	51.6	13.7	-8.9	8.3	29.1	18.0	11.0	
<b>Loans</b>	<b>18,690</b>	<b>19,349</b>	<b>21,859</b>	<b>23,253</b>	<b>24,495</b>	<b>26,210</b>	<b>29,355</b>	
Change (%)	1.1	3.5	13.0	6.4	5.3	7.0	12.0	
Fixed Assets	499	400	392	384	384	403	424	
<b>Total Assets</b>	<b>33,049</b>	<b>34,548</b>	<b>36,809</b>	<b>39,514</b>	<b>45,344</b>	<b>49,813</b>	<b>55,428</b>	
<b>Asset Quality</b>								
GNPA	1,779	2,234	1,728	1,491	1,264	1,278	1,250	
NNPA	970	1,109	659	519	368	413	413	
GNPA Ratio	9.12	10.91	7.53	6.15	4.98	4.7	4.1	
NNPA Ratio	5.19	5.73	3.01	2.23	1.50	1.6	1.4	
Slippage Ratio	7.0	8.4	1.6	2.2	1.2	1.8	1.6	
Credit Cost	3.3	3.8	2.7	1.9	1.8	1.6	1.3	
PCR (Exc. Tech. W/O)	45.5	50.4	61.9	65.2	70.9	67.7	67.0	



## Financials and valuations

### Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
<b>Yield and Cost Ratios (%)</b>							
<b>Avg. Yield on Earning Assets</b>	<b>9.0</b>	<b>7.4</b>	<b>7.8</b>	<b>7.7</b>	<b>7.2</b>	<b>7.0</b>	<b>7.0</b>
Avg. Yield on loans	9.3	7.4	7.8	8.0	7.2	7.6	7.7
Avg. Yield on Investments	8.5	7.2	7.5	6.9	6.8	6.5	6.3
<b>Avg. Cost to Int. Bear. Liabilities</b>	<b>6.0</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>
Avg. Cost of Deposits	6.4	5.1	5.0	4.8	4.1	4.0	3.9
<b>Interest Spread</b>	<b>3.0</b>	<b>2.5</b>	<b>2.9</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>
<b>Net Interest Margin</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>3.0</b>

### Capitalization Ratios (%)

CAR	13.0	12.7	12.8	13.3	14.0	14.0	13.4
Tier I	10.4	10.5	10.8	11.2	11.7	11.9	11.6
Tier II	2.6	2.2	2.1	2.1	2.3	2.1	1.8

### Business and Efficiency Ratios (%)

Loans/Deposit Ratio	72.3	71.5	75.1	71.7	66.5	64.7	65.0
CASA Ratio	46.4	44.5	44.6	44.2	45.4	46.4	46.9
Cost/Assets	1.8	1.7	1.9	1.9	1.8	1.7	1.7
Cost/Total Income	49.5	50.2	55.7	52.5	53.6	51.9	50.2
Cost/Core Income	56.0	56.5	57.1	55.8	55.8	54.0	52.2
Int. Expense./Int. Income	66.4	66.1	63.6	61.9	58.2	58.2	56.8
Fee Income/Total Income	24.6	26.1	26.9	25.6	24.3	23.5	22.4
Non Int. Inc./Total Income	36.2	37.3	29.4	31.6	28.2	27.5	26.3
Emp. Cost/Total Expense	58.2	55.3	58.9	60.8	61.6	61.6	61.3
Investment/Deposit Ratio	36.1	39.2	33.2	32.3	36.7	39.4	39.2

### Profitability Ratios and Valuation

RoE	-1.1	-3.5	0.4	7.2	9.3	13.1	14.6
RoA	-0.1	-0.2	0.0	0.4	0.5	0.7	0.8
RoRWA	-0.1	-0.3	0.0	0.7	0.9	1.2	1.4
Consolidated RoE	0.1	-2.0	1.0	7.9	8.2	11.7	13.7
Consolidated RoA	0.0	-0.1	0.1	0.5	0.5	0.7	0.8
Book Value (INR)	240	230	232	245	270	305	349
Change (%)	15.7	-4.0	0.9	5.6	10.0	12.9	14.7
<b>Price-to-BV (x)</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.7</b>	<b>0.6</b>
Consol. BV (INR)	248	243	248	267	294	330	378
Change (%)	11.6	-2.0	2.0	7.7	10.3	12.2	14.4
<b>Price-to-Consol. BV (x)</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>
Adjusted BV (INR)	139	135	170	187	221	253	299
<b>Price-to-ABV (x)</b>	<b>1.6</b>	<b>1.6</b>	<b>1.3</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>0.7</b>
Adjusted Consol. BV	159	152	192	212	250	282	329
<b>Price-to-Consol. ABV (x)</b>	<b>2.3</b>	<b>2.4</b>	<b>2.1</b>	<b>1.9</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>
EPS (INR)	-2.3	-7.7	1.0	16.2	22.9	35.9	46.2
Change (%)	NM	NM	NM	NM	40.9	57.2	28.4
<b>Price-to-Earnings (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>13.3</b>	<b>9.5</b>	<b>6.0</b>	<b>4.7</b>
Consol. EPS (INR)	0.3	-5.3	2.6	22.1	25.1	39.0	50.4
Change (%)	-98.1	NM	NM	NM	13.3	55.2	29.3
<b>Price-to-Consol. EPS (x)</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>	<b>18.4</b>	<b>16.2</b>	<b>10.4</b>	<b>8.1</b>

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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