BUY (Maintained)

CMP: **INR 187** Target Price: **INR 240 (INR 225)** ▲ 28%

ICICI Securities

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14 May 2024

India | Equity Research | Q4FY24 results review

Karur Vysya Bank

Banking

Yet another strong quarter with multi-year high RoA of 1.76% and stable asset quality

Karur Vysya Bank (KVB) has reported yet another strong quarter with higher-than-expected Q4FY24 PAT of INR 4.56bn, driven by better-than-expected core NIM and strong other income, while asset quality remained comfortable. Reported Q4FY24 RoA was at multi-year high of 1.76%, driving FY24 RoA to 1.63%. Due to re-classification of security receipts provisioning (INR 1.57bn), there is an optical rise in both other income and provisioning without any P&L impact. We highlight that KVB has amongst the lowest cost of deposits as well as lowest net NPA vs peers. It also scores well on consistency, profitable growth and quality of earnings. We revise our target price to INR 240 (INR 225 earlier), valuing the stock at ~1.5x (~1.4x earlier) FY26E ABV. Maintain **BUY**. Within smaller private banks, KVB ranks amongst the highest on FY25/26E RoA/RoE. Key risks: Higher-than-expected rise in opex and slower-than-expected deposits growth affecting profitability.

Multi-year high quarterly RoA of 1.76%; asset quality stable

KVB reported yet another strong quarter with higher-than-expected Q4FY24 PAT of INR 4.56 bn, driven by better-than-expected core NIM and strong other income while asset quality remained comfortable. Reported Q4FY24 RoA was at multi-year high of 1.76%, driving FY24 RoA to 1.63%. Due to re-classification of security receipts provisioning (INR 1.57bn), there is an optical rise in both other income and provisioning without any P&L impact. Overall loan growth was healthy and was stronger in chosen RAM segment. Deposits growth remains driven by term deposits though deployment of resources should help CASA growth in coming quarters. Core NIM expanded further by 5-6bps QoQ to 4.19%. Gross slippages and net slippages were stable QoQ at 1.1% and 0.5%, respectively. Net slippages adjusted for recovery from TWO, turned negative. Tier 1 remains strong at 15.46%.

Maintain BUY with target price revised to INR 240; leading RoA/RoE (FY25/26E) profile vs peers

We highlight KVB has amongst the lowest cost of deposits as well as net NPA vs peers. Despite edge on cost of deposits and strong asset quality, we estimate loan CAGR at ~15% for FY24-26E, driven by focus on granularity. Despite factoring in small rise in net slippages over FY24-26E, we see credit costs remaining comfortable as net NPA has almost flattened. Despite likely NIM compression, we see the bank delivering ~155/145bps RoA for FY25/26E (vs 164bps in FY24) driven by easing opex and comfortable credit costs, with RoE at 15-16% during the same period. We revise our target price to INR 240 (INR 225 earlier), valuing the stock at ~1.5x (1.4x earlier) FY26E ABV. Maintain **BUY**. KVB ranks amongst the highest vs peers on RoA/RoE for FY25/26E.

Financial Summary

Y/E March	FY23A	FY24A	FY25E	FY26E
NII (INR bn)	33.5	38.1	41.8	46.4
Op. profit (INR bn)	24.8	28.3	29.2	31.4
Net Profit (INR bn)	11.1	16.0	17.9	19.0
EPS (INR)	13.8	20.0	22.3	23.6
EPS % change YoY	63.8	44.7	11.7	5.9
ABV (INR)	102.6	122.0	140.8	160.3
P/BV (x)	1.8	1.5	1.3	1.1
P/ABV (x)	1.8	1.5	1.3	1.2
Return on Assets (%)	1.3	1.6	1.6	1.4
Return on Equity (%)	13.7	17.2	16.6	15.4

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Market Data

Market Cap (INR)	150bn
Market Cap (USD)	1,792mn
Bloomberg Code	KVB IN
Reuters Code	KARU.BO
52-week Range (INR)	209 /96
Free Float (%)	97.0
ADTV-3M (mn) (USD)	6.0

Price Performance (%)	3m	6m	12m
Absolute	5.4	17.9	94.5
Relative to Sensex	3.7	5.8	77.2

Earnings Revisions (%)	FY25E	FY26E
PAT	2	1

Previous Reports

23-01-2024: Q3FY24 results review
18-10-2023: Q2FY24 results review

Loan growth driven by granular / better yielding RAM segment; we estimate ~15% CAGR for FY24-26E

Loan growth (on net advances basis) has been consistent in a tight range of 16-18% YoY in the last couple of quarters with the bank consciously shedding away low margin chunky exposures. For Q4FY24, granular loan growth (retail agri and MSME) was strong at ~18% YoY and 3.7% QoQ though run-down in corporate book (down ~3.0% QoQ; YoY growth ~5% YoY) contained overall gross loan growth to 15.5% YoY (up 2.4% QoQ).

Total jewel loan growth was in line with overall growth and share remains unchanged at ~25% of overall loans. Within retail (up 18% YoY), the bank has seen strong growth in LAP (up 27% YoY) and consumer credit – BNPL (up 254% YoY; off low base). Total unsecured retail loans stand at INR 14.1 bn or ~2.0% of overall loans. Despite strong asset quality and edge in funding costs, we are building in ~15% CAGR in loan over FY24-26E as loan book re-balancing could continue in FY25 as well.

Deposits growth driven by TD; core NIM rises 6bps QoQ to 4.19%

Deposits growth was strong at 16% YoY and 4% QoQ. CASA growth has been slower (similar to industry) at ~6.0% YoY while term deposits (up 21% YoY) remain the key growth driver. CASA share declined to 30% vs 32% QoQ and 33% YoY. The bank has invested in feet-on-street on CASA and we would monitor the progress on CASA growth ahead. It has built a retail liability acquisition team by deploying over 1,300 head-count on CASA cross-sell and has now graded SA rates to tap institutional deposits. LDR improved to 82.7% vs 83.8% QoQ (flattish YoY). The bank mentioned that LDR would remain close to 83-85% range.

Cost of deposits inched up by 11bps QoQ to 5.36%. We highlight KVB has amongst the lowest reported CoD vs peers and even vs select PSBs. Yield on advances on reported basis declined 8bps QoQ but adjusted for one-off in the base quarter, it increased 8bps QoQ. Reported NIM declined 13bps QoQ to 4.19%; however, adjusted for ~19bps one-off gains in base quarter, core NIM improved 5-6bps QoQ. NII growth was flattish QoQ (~5% beat on our estimates). We highlight that the bank has improved core NIM in the last 2 quarters as it has been focused on profitable growth. The bank guides for NIM of >4.0% in H1FY25 while H2FY25 NIM would be contingent on rate action. We are building-in ~20bps YoY decline in calculated NIM to ~3.85% for FY25E.

Other income rises QoQ on SR provisioning w-back; opex to assets ratio to improve sharply YoY

KVB has seen renewed investment in capacity building and franchise expansion, especially on retail front. It has beefed up its hiring – hired ~1,300 employees, dedicated towards retail businesses/cross-sell. Current headcount stands at 9,085 vs 7,764 YoY. After opening only 10 branches in FY23, the bank opened 39 branches in FY24, taking the total count to 838. For Q4FY24, the bank saw staff costs rising ~17% QoQ due to wage bi-partite settlement. It is now fully provided on wage hike. The bank expects normalise staff cost of INR 3.25-3.5bn on quarterly basis.

Other income jumped QoQ and included INR 1.57bn of reversals of security receipt provisions (no impact on PAT as there is similar rise in provisions as well). Core fee income was strong at ~19% YoY and 7% QoQ showing traction due to additional feet-on-street. Recovery from TWO stood at INR 1.32bn vs INR 0.6bn QoQ. Despite rise in staff costs, adjusted core PPoP (excluding treasury gains, TWO recovery and SR provisions) was flattish QoQ. We appreciate the bank's strategy to front-load opex at a time when revenue growth is strong. We model-in <5% YoY growth in staff costs for

FY25E due to bulky base (and pension related one-offs), which should boost core PPoP growth for FY25.

Slippages / net NPA flattish; provisioning optically higher due to SR provisioning re-classification

Gross slippages remained flat at INR 2.01bn vs INR 1.97bn QoQ. Gross slippages annualised remained flat at ~1.1%. Recovery was healthy and thus net slippages remained muted and stable at 0.5%. Write-offs were bulky driving 10% decline in gross NPA; ratio improved 18bps QoQ to 1.4%. PCR declined ~200bps on higher w-offs but remained comfortable at 71.4%. PCR including TWO stood flattish at 95%. Net NPA was stable at 0.4%, amongst the lowest vs peers.

Reported provisions jumped to INR 2.9bn vs INR 1.5bn QoQ. However, provisions included INR 1.57bn of security receipt provisions now classified under NPI due to timing issue with offset rise in other income, and thereby, being P&L neutral. The bank continued to make INR 250mn of floating provisions; o/s at INR 1bn (14 bps of loans). NPA-related provisions were flattish QoQ at INR 1.1bn (60bps credit costs).

SMA1 declined 8bps QoQ to 0.24% and even SMA2 declined 4bps QoQ to 0.13%. Restructured standard advances declined to INR 7.15bn or 1.0% of loans (vs 1.1% QoQ). The bank has already provided 100% on security receipts.

For FY24, the bank has reported gross slippages at ~1.0% while net slippages have been 0.3% of loans. We are conservatively estimating FY25/26E gross and net slippages at ~1.1/1.2% and 0.5%/0.6%, respectively. We are building-in FY25/26E credit cost at ~0.5/0.6%, with PCR rising to 73/75% during the same period.

Exhibit 1: Q4FY24 result review

Financial Highlights					
INR mn	**Q4FY23**	**Q4FY24**	**YoY (%)**	**Q3FY24**	**QoQ (%)**
Interest Earned	17,683	21,846	23.5	21,394	2.1
Interest Expended	8,757	11,891	35.8	11,381	4.5
Net Interest Income	**8,926**	**9,955**	**11.5**	**10,013**	**(0.6)**
Other Income	4,008	6,289	56.9	3,578	75.8
Total Income	21,691	28,134	29.7	24,972	12.7
Total Net Income	**12,934**	**16,243**	**25.6**	**13,591**	**19.5**
Staff Expenses	2,807	4,398	56.7	3,747	17.4
Other operating expenses	2,737	3,177	16.1	3,085	3.0
Operating Profit	**7,391**	**8,669**	**17.3**	**6,759**	**28.3**
Provision & Contingencies	2,930	2,934	0.1	1,497	96.0
Provision for tax	1,082	1,174	8.5	1,146	2.5
Reported Profit	**3,378**	**4,561**	**35.0**	**4,116**	**10.8**
Other Highlights					
INR bn	**Q4FY23**	**Q4FY24**	**YOY (%)**	**Q3FY24**	**QoQ (%)**
Loans	631	737	16.7	718	2.6
Deposits	766	891	16.3	857	4.0
Gross NPA	15	10	-28.6	12	-9.6
Gross NPA (%)	2.3	1.4	-87 bps	1.6	-18 bps
Net NPA	5	3	-36.4	3	-2.4
Net NPA (%)	0.7	0.4	-34 bps	0.4	-2 bps
Provision Coverage (%)	67.9	71.4	350 bps	73.5	-210 bps

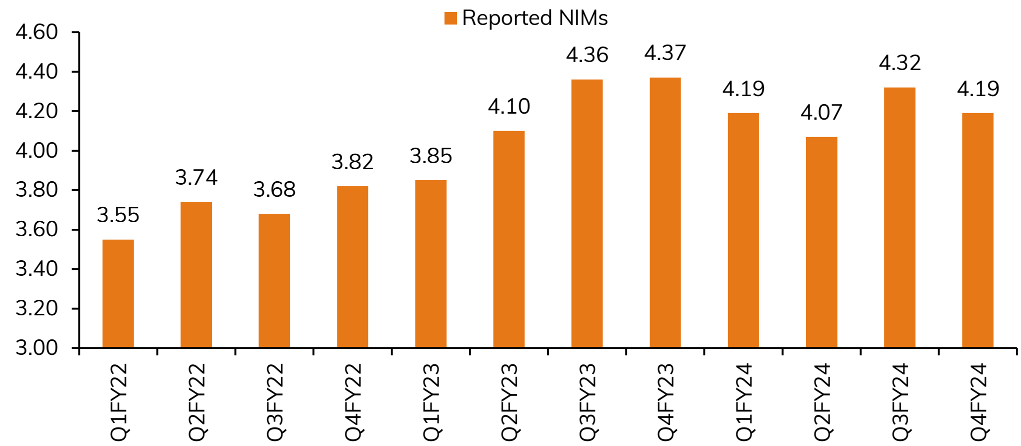
Source: Company data, I-Sec research

Exhibit 2: Deposits trend over the quarters

Particulars (INR mn)	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Deposits	6,54,101	6,68,710	6,84,860	7,11,680	7,33,975	7,61,750	7,66,376	8,07,150	8,30,685	8,56,650	8,91,127
YoY % change	7.0	7.7	8.2	10.5	12.2	13.9	11.9	13.4	13.2	12.5	16.3
QoQ % change	1.6	2.2	2.4	3.9	3.1	3.8	0.6	5.3	2.9	3.1	4.0
CASA Deposits	2,31,600	2,41,270	2,39,040	2,59,160	2,59,140	2,58,000	2,54,490	2,65,490	2,67,940	2,70,120	2,70,850
YoY % change	11.9	12.2	10.4	15.0	11.9	6.9	6.5	2.4	3.4	4.7	6.4
QoQ % change	2.8	4.2	-0.9	8.4	0.0	-0.4	-1.4	4.3	0.9	0.8	0.3
CASA Ratio (%)	35.4	36.1	34.9	36.4	35.3	33.9	33.2	32.9	32.3	31.5	30.4
Term Deposits	4,22,501	4,27,440	4,45,820	4,52,520	4,74,835	5,03,750	5,11,886	5,41,660	5,62,745	5,86,530	6,20,277
YoY % change	4.5	5.3	7.1	8.1	12.4	17.9	14.8	19.7	18.5	16.4	21.2
QoQ % change	0.9	1.2	4.3	1.5	4.9	6.1	1.6	5.8	3.9	4.2	5.8

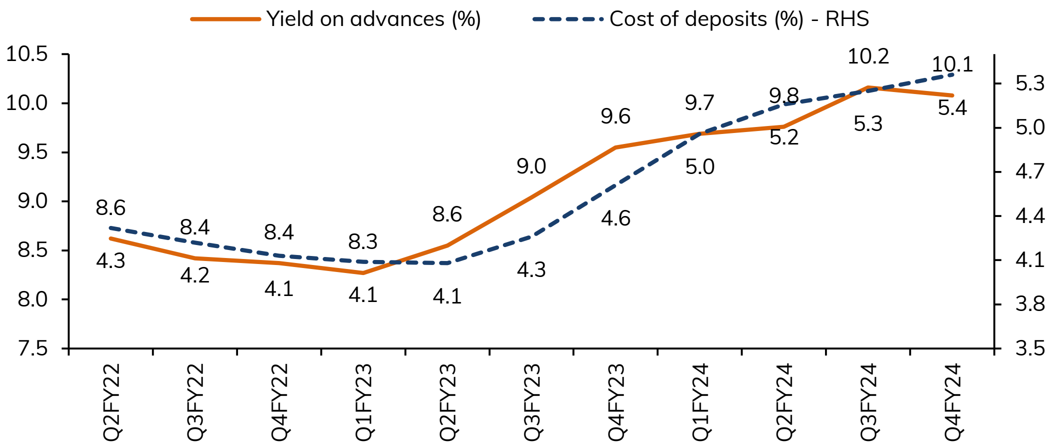
Source: Company data, I-Sec research

Exhibit 3: Reported NIM declines but core NIM rises 6bps QoQ to 4.19%



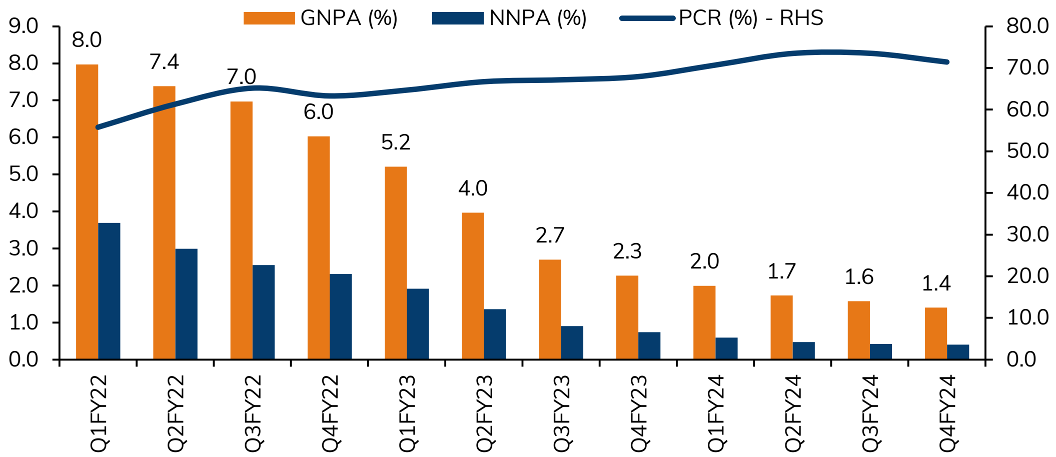
Source: Company data, I-Sec research

Exhibit 4: Cost of deposits continue to inch up, while reported yields contract QoQ



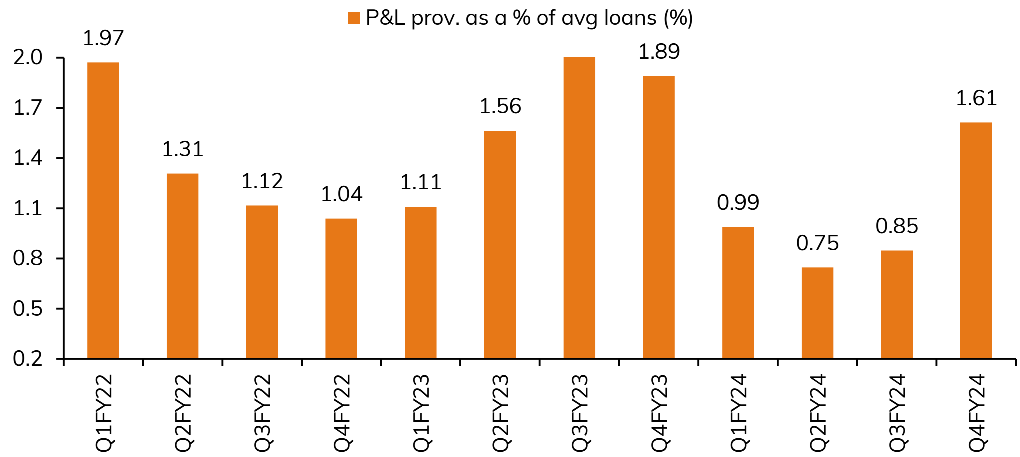
Source: Company data, I-Sec research

Exhibit 5: Asset quality remains comfortable



Source: Company data, I-Sec research

Exhibit 6: Reported provisions rise QoQ due to SR provision re-classification but credit costs are stable QoQ



Source: Company data, I-Sec research

Exhibit 7: ~2.4% QoQ loan growth is healthy and efficient

Loan mix (INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	Mix (%)
Corporate	1,35,350	1,33,430	1,35,540	1,44,110	1,43,710	1,39,490	4.5	-2.9	19
Retail	1,41,370	1,50,120	1,56,100	1,62,250	1,70,900	1,76,620	17.7	3.3	24
Agri	1,41,110	1,48,330	1,56,210	1,63,020	1,68,330	1,73,630	17.1	3.1	23
SME	2,02,990	2,09,800	2,21,710	2,35,100	2,43,980	2,54,490	21.3	4.3	34
Gross Advances	**6,20,820**	**6,41,680**	**6,69,560**	**7,04,480**	**7,26,920**	**7,44,230**	**16.0**	**2.4**	**100**

Source: Company data, I-Sec research

Q4FY24 conference call takeaways

Guidance FY25

- 14% credit growth
- Margins around 4% till H1, H2 would be contingent on rate actions.
- CD ratio near 85%
- 50% C/I
- GNPA below 2%, NNPA below 1%, slippages around 1% and credit costs to be ~75bps.
- 80 lite and 20 regular branches to be added in FY25.

Advances

- **FY24 saw highest YoY loan book growth after FY13.**
- Agri loan book was up 17% YoY and achieved all PSL targets.
- Co-lending Amazon BNPL programme is performing well and the book now stands at INR 10bn, the delinquency is much lower as of now. The bank has FLDG arrangement as per RBI regulations.
- **Bank shed low-yielding advances of INR 14.15bn and another INR 2bn of weak advances.**
- Current MFI portfolio is at INR 1.35bn.
- Bank has integrated Neo into the main bank.
- **Rebalancing of portfolio would continue in FY25 with focus on margins. Growth guidance of >14% YoY.**

Opex

- Pension obligations of INR 0.7bn provided in Q4.
- **All liabilities with respect to wage provisions are provided for as of Q4FY24.**
- **Normalised quarterly wage bill should be in the range of INR 3.25-3.5bn for FY25. This would translate to flattish staff costs YoY.**
- Bank has been investing in resources and most new hires in FY24 are linked to sales.
- Lite branches' major focus would on liabilities and they will also do cross sell and have hub and spoke model.

Margins

- Loan book break-up by type:
    - 44% EBLR
    - 42% MCLR
- Hence, any cut in policy change will impact margins
- If current position continues, TD cost will be around similar levels. But if liquidity is under strain, there could be an impact on TD cost.
- Majority of TD is coming in below 2-years bucket.
- NIM is likely to be 4.0% in H1FY25.

Miscellaneous

- CRAR continues to be healthy providing sufficient headroom for growth.
- Investment in alternative funds stands at INR 125mn. The bank does not have investment in any company with downstream investments.
- Total floating provisions at INR 1bn and it has nothing to do with scale of growth
- INR 1.32bn of recovery from TWO in Q4.

Q3FY24 conference call takeaways

Strategy

- Q3FY24 numbers are in-line with guidance
- Qualitative changes brought in instil confidence for future
- Business model transformation that the bank had embarked on is progressing well
- KVB is able to sustain growth momentum. Endeavours to sustain growth momentum along with healthy margins
- **Confident of maintaining RoA above 1.6% for FY24**

Margins

- **Margins include one-off of 19bps (INR 0.3bn) towards interest recovery from NPA account**
- Margins at 4.13% for the quarter excluding one-off. This was due to focus on high yielding RAM advances and a conscious shedding of low yielding corporate
- **Cost of deposits would rise by 15bps in Q4**
- **TD cost on outstanding book is 6.74%**
- Expect yields to rise by 10bps in Q4, since the bank has raised MCLR twice in Q3
- **NIMs are likely to stabilise around 4% by FY24 exit quarter**

Advances

- **YTD growth of 13% is in-line with annual growth guidance of 14-15%**
- Retail growth was led by mortgage and personal loans category
- **The bank shed low yielding advances, which comprised 0.75% of advances in corporate, leading to de-growth in corporate vertical**
- The bank has passed on the higher yield to corporate and if the corporate was reluctant for the revised yield, then the bank has let go of that exposure
- Currently, KVB was totally dependent on branch sourcing model. In addition to this, bank is also working on a DSA model for its retail book
- 95% of its agri portfolio used to be jewel loans, which KVB is now trying to diversify

Mid-corporate

- Mid-corporate book is seeing good demand and even stress is under control
- Mid-corporate disbursements are growing by 20-22% QoQ
- KVB is not relying entirely on existing customers to grow business in this space
- Despite utilisation has not gone up, quality of textile customers is good in mid-corporate
- KVB's approval rate is 40-45% on MSME; should the bank dilute its norms, then the figure can even reach 70-75%. However, KVB will not dilute its norms, as it could face issues pertaining to weak asset quality
- Utilisation levels are broadly ~70% for MSME customers, which is stable. Hence, new customers are driving a large part of MSME

Wage bi-partite

- Wage revision impact as per bi-partite settlement has been settled at 17%, against the 15% made by the bank; hence, KVB has provided INR 0.6bn for the additional 2%
- **As per actuarial valuation, total pension provision required would be INR 1.14bn, which would be made by Q4FY24.** Towards this, bank has provided:
    - INR 330mn in Q2,
    - INR 410mn in Q3 and
    - Balance INR 400mn would be provided in Q4
- **Normalised wage bill would be ~INR 3.25 per quarter, Q1FY25 onwards**

Deposits and CD ratio

- **CD ratio is around 85% and would continue to maintain at these levels**
- On SA, bank is focusing on third-party products
- It is looking to source liabilities via BC channel
- For its liability franchise, the bank has a separate acquisition channel of ~1,300 employees, who are purely acquiring NTB customers on CASA and TD. Secondly, it has also prepared a separate vertical to handle liability customers having a balance above a certain threshold
- There is also a process for monitoring progress of these employees. If the performance is not up to the mark, then they are also provided counselling and other support

Asset quality

- *Total recoveries of 9MFY24 is equivalent to recoveries of FY23*
- Bank would maintain GNPA below 2% and NNPA below 1%
- **Credit cost for FY24 would be near 75bps, as guided**
- Provided INR 250mn each for the past three quarters towards floating provisions for any contingency, including ECL. Hence, total floating provision is now at INR 750mn.
- Standard restructured book is 1.09% of loan book and holds 28% provisions towards the same

Amazon BNPL

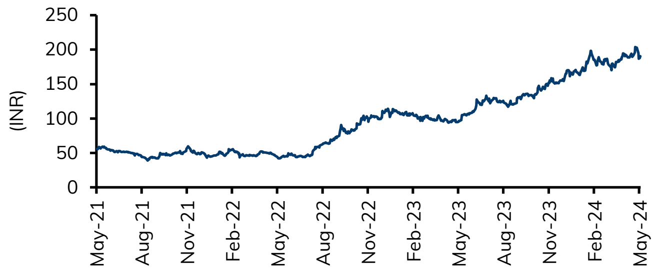
- Bank has an existing arrangement with Amazon BNPL, since the past three years
- Tenure is usually less than six months
- This is a low stress business with a good yield for the bank
  - Yields for this is around 12%
  - FLDG is 5%
  - Cohort loss is around 1.2%
  - Rejection rate is very less in this product

Exhibit 8: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	2.3	2.3	2.2
Institutional investors	38.2	38.2	51.6
MFs and other	21.2	21.1	29.0
Banks/ FIs	0.0	0.0	0.0
Insurance Cos.	1.5	1.5	5.2
FIIs	15.5	15.5	17.4
Others	59.5	59.5	46.2

Source: Bloomberg, I-Sec research

Exhibit 9: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 10: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Interest income	65,165	82,039	95,142	106,985
Interest expense	31,677	43,947	53,358	60,553
Net interest income	**33,488**	**38,092**	**41,784**	**46,432**
Non-interest income	11,589	16,587	15,937	17,850
Operating income	**45,077**	**54,679**	**57,721**	**64,282**
Operating expense	20,320	26,388	28,490	32,884
Staff expense	10,060	14,610	14,903	17,312
Operating profit	**24,758**	**28,291**	**29,231**	**31,398**
Core operating profit	**24,704**	**26,171**	**28,581**	**30,598**
Provisions & Contingencies	10,389	7,290	5,273	6,018
Pre-tax profit	**14,369**	**21,002**	**23,958**	**25,380**
Tax (current + deferred)	3,308	4,954	6,030	6,388
Net Profit	**11,061**	**16,048**	**17,928**	**18,992**
Adjusted net profit	**11,061**	**16,048**	**17,928**	**18,992**

Source Company data, I-Sec research

Exhibit 11: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Cash and balance with RBI/Banks	46,951	56,586	73,883	85,199
Investments	188,083	223,435	245,502	275,462
Advances	631,341	736,675	847,081	974,571
Fixed assets	4,350	4,329	5,528	6,314
Other assets	31,068	34,828	48,148	62,887
Total assets	**901,794**	**1,055,852**	**1,220,142**	**1,404,433**
Deposits	766,376	891,127	1,030,999	1,192,843
Borrowings	14,320	24,784	24,472	24,287
Other liabilities and provisions	35,258	39,541	49,033	55,521
Share capital	1,604	1,609	1,609	1,609
Reserve & surplus	84,236	98,792	114,030	130,173
Total equity & liabilities	**901,794**	**1,055,852**	**1,220,142**	**1,404,433**
% Growth	12.6	17.1	15.6	15.1

Source Company data, I-Sec research

Exhibit 12: Growth Ratios

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Interest Income	23.3	13.7	9.7	11.1
Operating profit	51.9	14.3	3.3	7.4
Core operating profit	47.0	5.9	9.2	7.1
Profit after tax	64.3	45.1	11.7	5.9
EPS	63.8	44.7	11.7	5.9
Advances	15.5	16.7	15.0	15.1
Deposits	11.9	16.3	15.7	15.7
Book value per share	12.7	16.6	15.2	14.0
Adj Book value per share	23.5	18.9	15.4	13.9

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
No. of shares and per share data				
No. of shares (mn)	802	804	804	804
Adjusted EPS	13.8	20.0	22.3	23.6
Book Value per share	107	125	144	164
Adjusted BVPS	103	122	141	160
Valuation ratio				
PER (x)	13.6	9.4	8.4	7.9
Price/ Book (x)	1.7	1.5	1.3	1.1
Price/ Adjusted book (x)	1.8	1.5	1.3	1.2
Dividend Yield (%)	1.1	1.3	1.8	1.9
Profitability ratios (%)				
Yield on advances	9.0	10.0	9.9	9.7
Yields on Assets	7.7	8.4	8.4	8.2
Cost of deposits	4.2	5.0	5.3	5.2
Cost of funds	3.7	4.5	4.7	4.6
NIMs	4.1	4.1	3.8	3.7
Cost/Income	45.1	48.3	49.4	51.2
Dupont Analysis (as % of Avg Assets)				
Interest Income	7.7	8.4	8.4	8.2
Interest expended	3.7	4.5	4.7	4.6
Net Interest Income	**3.9**	**3.9**	**3.7**	**3.5**
Non-interest income	1.4	1.7	1.4	1.4
Trading gains	0.0	0.2	0.1	0.1
Fee income	1.4	1.5	1.3	1.3
Total Income	**5.3**	**5.6**	**5.1**	**4.9**
Total Cost	**2.4**	**2.7**	**2.5**	**2.5**
Staff costs	1.2	1.5	1.3	1.3
Non-staff costs	1.2	1.2	1.2	1.2
Operating Profit	**2.9**	**2.9**	**2.6**	**2.4**
Core Operating Profit	2.9	2.7	2.5	2.3
Non-tax Provisions	1.2	0.7	0.5	0.5
PBT	**1.7**	**2.1**	**2.1**	**1.9**
Tax Provisions	0.4	0.5	0.5	0.5
Return on Assets (%)	**1.30**	**1.55**	**1.56**	**1.44**
Leverage (x)	10.5	10.5	10.5	10.6
Return on Equity (%)	**13.7**	**17.2**	**16.6**	**15.4**
Asset quality ratios (%)				
Gross NPA	2.3	1.4	1.4	1.5
Net NPA	0.7	0.4	0.4	0.4
PCR	67.9	71.4	73.0	75.0
Gross Slippages	0.9	1.1	1.2	1.3
LLP / Avg loans	1.2	0.6	0.6	0.6
Total provisions / Avg loans	1.8	1.1	0.7	0.7
Net NPA / Networth	5.5	3.0	2.8	2.8
Capitalisation ratios (%)				
Core Equity Tier 1	16.8	15.5	15.1	14.5
Tier 1 cap. adequacy	16.8	15.5	15.1	14.5
Total cap. adequacy	18.6	16.7	16.1	15.3

Source Company data, I-Sec research

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