



NIRMAL BANG
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Q2FY15
Result Review
BANKING

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Banking Sector – Earnings Review

Q2FY15 performance analysis

The overall performance of the banking sector as a whole in Q2FY15 was broadly in line with expectations. While most of the private banks reported satisfactory performance, PSU banks except SBI and BOB reported weaker results. Aggregate PAT growth of mere +10% was disappointing for Public Sector Banks; while Private Banks continued to outshine with steady earnings growth of +17%. Private Banks continued to report modest loan growth and stable NIMs.

Incremental stress additions within mid-tier PSU banks continue to remain high. In absence of NPA sale to ARCs, headline Gross/Net NPA increased 6/7% QoQ for the PSU banks. Within private sector most of the banks reported stable performance in asset quality. Higher operating performance of the private banks provides cushion for higher write offs and thus headline aggregate Gross /Net NPA increased 3/6% QoQ for PVT Banks. Gradual revival in economy and cautious commentary across PSU banks management suggest asset quality pain might continue for next 2-3 quarters. However, the pace of addition is expected to remain lower.

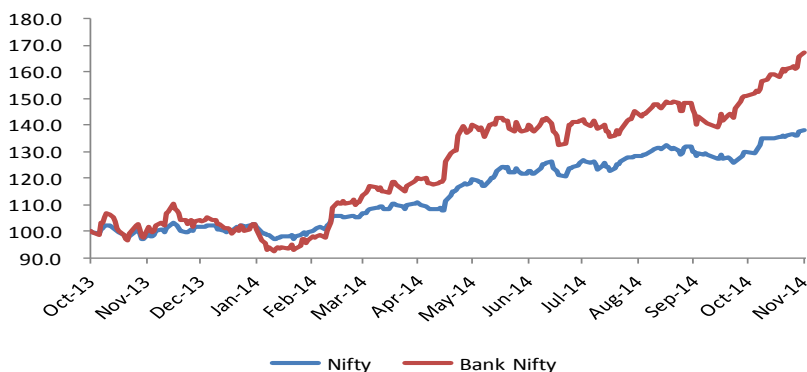
Going forward, the key trends to watch for the entire banking industry:

- Loan growth to witness improvement in H2FY15 as economic activity picks up;
- NIMs to remain stable
- Improvement in fee income growth driven by pick up in loan book
- Asset quality trends to remain mixed. The sustained improvement in asset quality will be the key monitorable for the banking industry in the coming quarters.

Although most of the PSU banks posted not so encouraging results we have not seen a substantial fall in the prices of these banks. This could be largely explained by declining inflation, sharp fall in crude prices, lower commodity prices etc. As inflation eased and global commodity prices continue to remain benign, hopes are building in for an earlier than expected rate cut. Within private banks the announcement of merger of ING Vysya Bank and Kotak Mahindra Bank (post May 2010 first M&A activity) has fuelled up hopes of increasing merger activities to happen in the coming years.

We have seen Bank Nifty has generated returns of 60.7% vs 34.9% returns generated by Sensex and 35.3% returns generated by Nifty since Jan 2014. Most of the banks are now trading above 2 year average P/BV.

Improvement in growth backed by economic recovery would lead to lower stress addition and thereby drive margin expansion and enhance the return ratios of the banks. We are also encouraged by the various reforms taken by the government and followed by RBI which will help the overall banking industry in the longer term. With adequate capital and strong branch network, Private Banks are best placed to leverage on improving macro-economic environment to drive re-rating. In the long run, banks with strong fundamentals like ICICI Bank, Axis Bank, Federal Bank, Indusind Bank, Yes Bank, SBI, BOB will continue to generate healthy returns and therefore recommend accumulating these stocks on any decline.



Source: Bloomberg

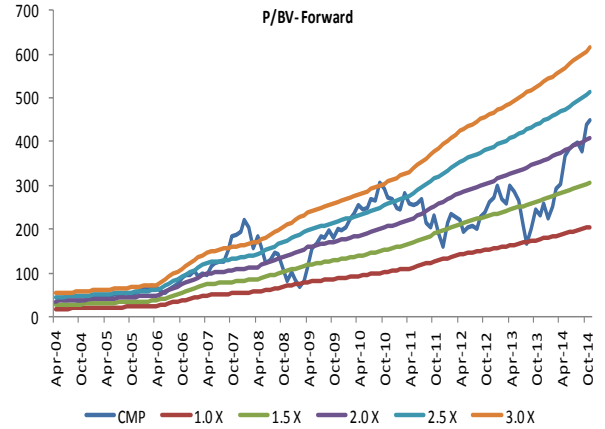
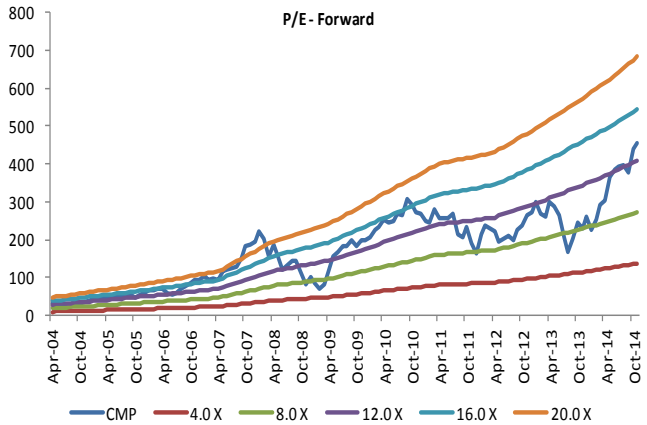
We like Axis Bank, ICICI Bank, Indusind Bank, Federal Bank, Yes Bank within private space and SBI, Bank of Baroda within PSU space.



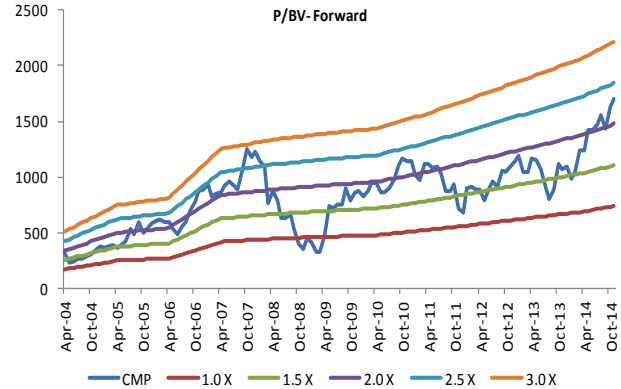
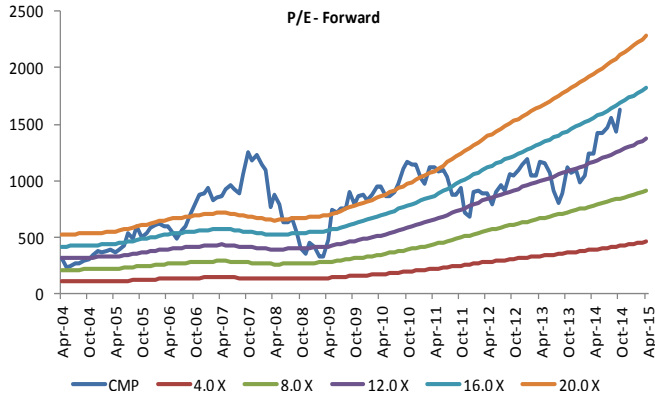
Banking Sector – Earnings Review

Valuation metrics of our recommendations

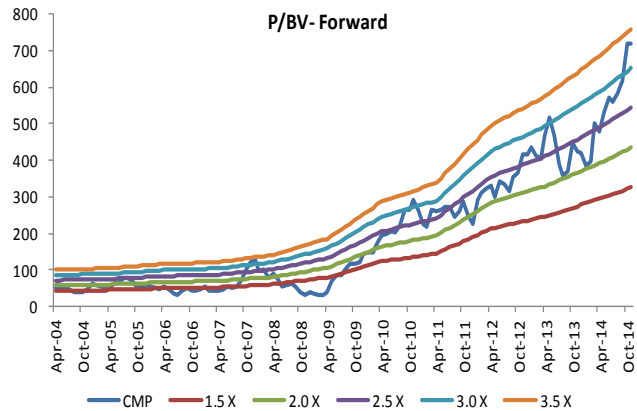
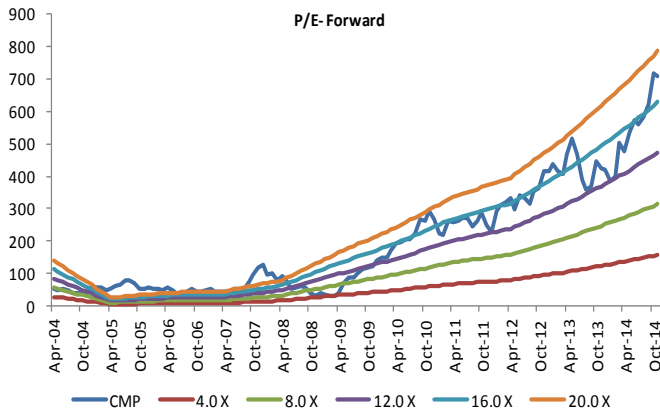
Axis Bank



ICICI Bank

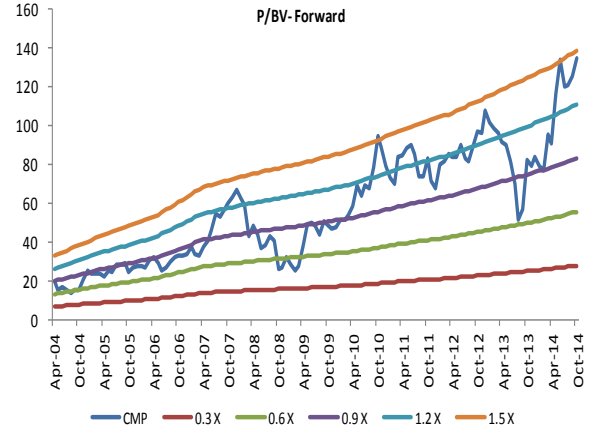
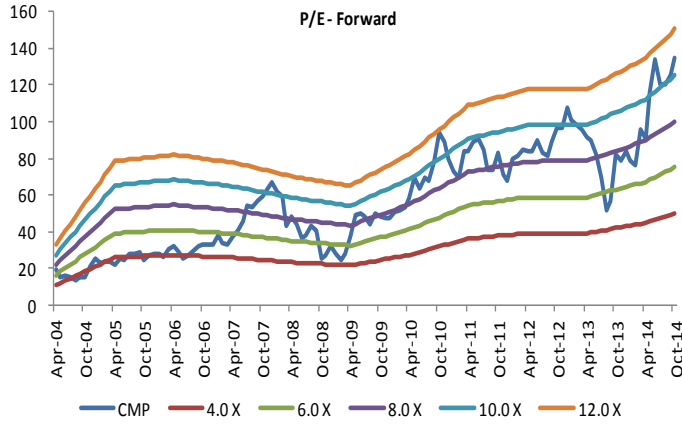


Indusind Bank

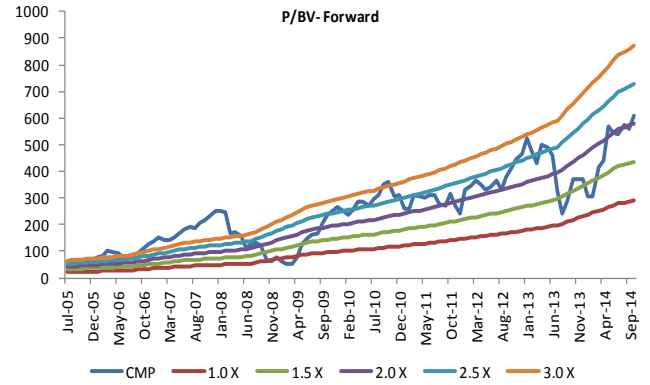
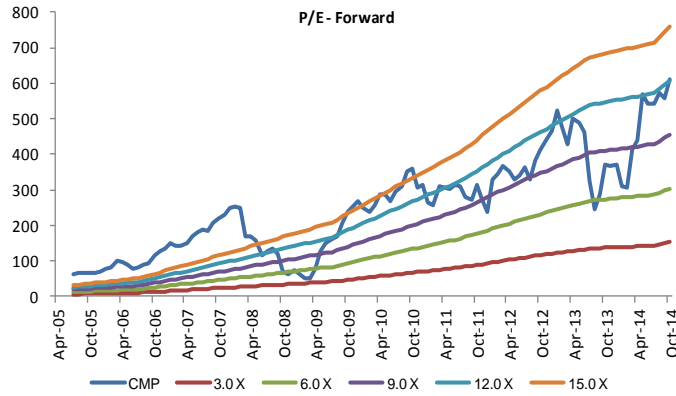


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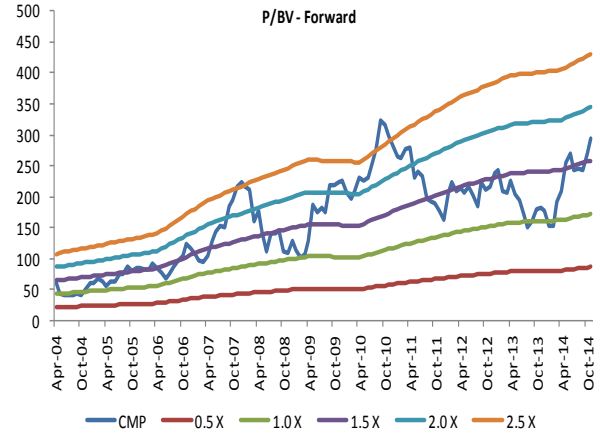
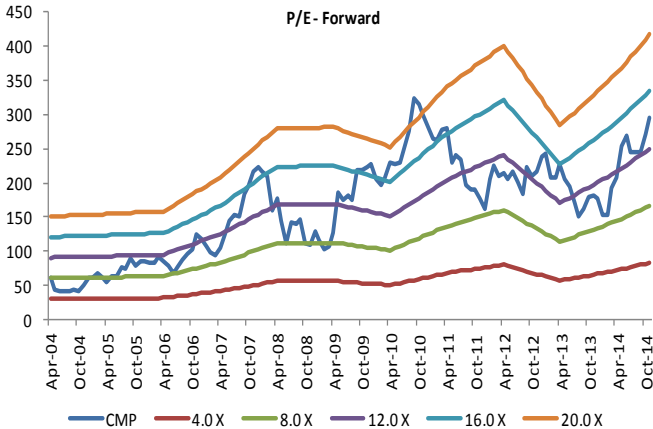
Federal Bank



Yes Bank



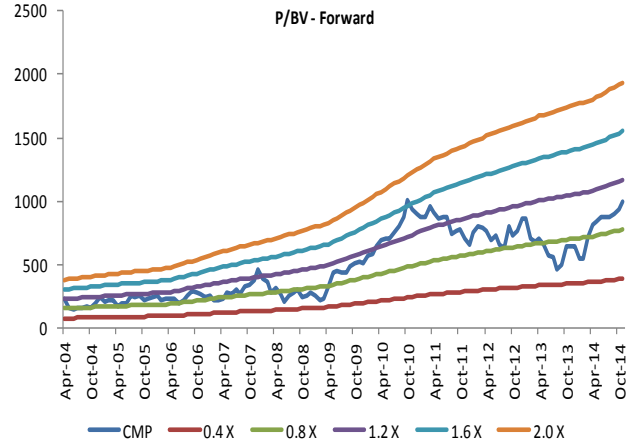
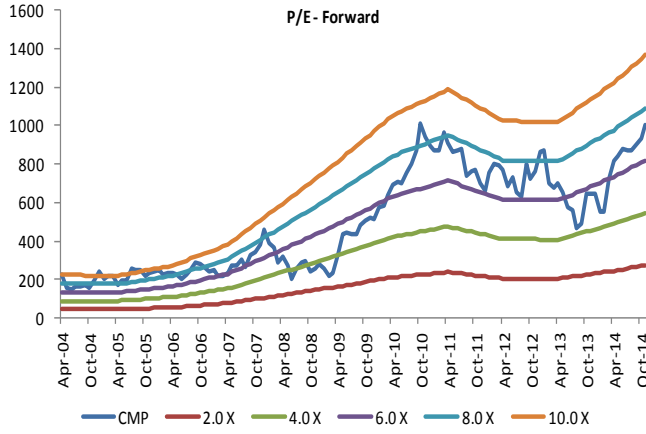
SBI





Banking Sector – Earnings Review

Bank of Baroda



Source: Bloomberg, Capital Line, Nirmal Bang Research

Banking Sector – Earnings Review

Private Banks: Strong performance on most parameter..!!!

Private banks continued to demonstrate strong performance on most of the parameters.

Performance analysis: Decline in stress additions, pick up in fees, strong control over operational expenditure were highlights of the quarter.

- NIMs witnessed improvement for most of the banks. Improvement was driven by healthy growth in loan book, high Credit Deposit Ratio and stable cost of funds.
- Yes Bank reported strong 20 bps improvement in margins on QoQ basis driven by capital infusion while margins for ICICI Bank stood flat.
- Fee income saw moderate improvement with significant contribution from retail segment.
- The banks managed to keep the cost to income ratio under control with some banks showing a remarkable improvement owing to higher growth on income front.
- Loan growth for private banks picked up pace with select banks like **Axis Bank and HDFC Bank** seeing a large growth in the corporate loan portfolio. **Federal Bank** reported an improvement in loan growth despite challenge in gold loans with focus on SME loans for incremental growth. **City Union Bank and J&K Bank** reported weak growth in single digits. **DCB Bank** surprised with growth of 31.7% YoY led by agriculture and mortgage advances.
- Within private sector banks **HDFC Bank and Kotak Mahindra Bank** reported the highest deposit growth of 24.8%/29.4% YoY led by the growth in retail term deposits.
- CASA growth picked up in the quarter and banks reported slight improvement in CASA ratios as compared to last quarter.
- Despite the stress continuing in the economy, most private sector banks restricted sharp deterioration in asset quality. Stress asset addition for most of the banks was under control and within guided lines.
- Provision coverage ratio remained healthy for most of the banks.
- Cumulative fresh restructuring done by private banks witnessed marginal decline on QoQ basis. Most of the banks reported restructuring in line with earlier quarter and within stated management guidance.
- **Federal Bank, Indusind Bank and Yes bank** reported stable asset quality while **ING Vysya Bank** surprised positively. **South Indian Bank** surprised negatively with another quarter of higher restructuring.
- Going forward with stabilization in the economy, we expect the performance of private sector banks to rebound first led by improvement in margins, non interest income and stable asset quality.

We have seen a sharp appreciation in the stock prices of the banks on the back of revival in economy with easing liquidity conditions. Better margins, stable contribution from other income and high coverage ratio will ensure strong earnings growth for Private Banks. We believe that consolidation in the banking sector will provide opportunity to enter in the stocks. In our view any correction from current levels should be taken as an opportunity to enter these stocks from a long term perspective. **We prefer ICICI Bank, HDFC Bank, Axis Bank, Indusind Bank, Yes Bank and Federal Bank within private space.**

Banking Sector – Earnings Review

Category I- Large private sector banks

	ICICI Bank	HDFC Bank	Axis Bank	Kotak	Indusind Bank	Yes Bank	ING Vysya
YTD performance	61.1%	41.7%	84.6%	66.5%	69.7%	85.7%	34.2%
Results Comment	In line	In line	Better than exp	Below exp	In line	In line	In line
Advances	361,757	327,273	242,198	60,948	59,931	62,030	39,558
<i>YoY growth</i>	<i>13.8%</i>	<i>21.8%</i>	<i>20.3%</i>	<i>20.40%</i>	<i>22.0%</i>	<i>29.5%</i>	<i>20.4%</i>
Deposits	352,055	390,682	283,728	68,103	65,996	80,131	44,652
<i>YoY growth</i>	<i>13.9%</i>	<i>24.8%</i>	<i>11.1%</i>	<i>29.4%</i>	<i>24.0%</i>	<i>22.8%</i>	<i>11.5%</i>
CD ratio	102.8%	83.8%	85.4%	89.5%	90.8%	77.4%	88.6%
CASA	153,725	168,613	126,367	21,165	22,363	18,010	14,763
<i>YoY growth in CASA</i>	<i>14.8%</i>	<i>19.7%</i>	<i>15.4%</i>	<i>37.5%</i>	<i>33.0%</i>	<i>36.8%</i>	<i>13.5%</i>
CASA ratio	43.7%	43.2%	44.5%	31.1%	33.9%	22.5%	33.1%
NIMs	3.4%	4.5%	4.0%	5.0%	3.6%	3.2%	3.5%
Other income % of total income	37.0%	27.1%	35.6%	31.0%	40.1%	37.10%	31.50%
Cost to income ratio	36.5%	46.3%	42.2%	51.3%	47.9%	40.0%	56.0%
Gross NPA	11,547	3,362	3,613	1,165	655	222	636
QoQ Increase in GNPA	5.0%	0.2%	4.3%	8.0%	0.0%	12.3%	-31.5%
Gross NPA %	3.12%	1.07%	1.30%	1.89%	1.08%	0.36%	1.59%
Net NPA	3,942	917	1,180	611	195	54	165
Net NPA %	1.10%	0.28%	0.40%	1.00%	0.33%	0.09%	0.42%
Capital Adequacy Ratio	16.6%	15.7%	15.9%	17.6%	13.0%	17.4%	14.4%
Tier I	12.0%	11.8%	12.6%	16.6%	12.0%	12.2%	12.6%
Provision coverage ratio	65.9%	72.7%	78.0%	55.8%	70.2%	75.8%	74.0%
Slippages	1673	N/A	911	N/A	113	153	193
Slippage ratio	1.8%	N/A	1.5%	N/A	0.8%	1.0%	2.0%
Restructured during the quarter	900	N/A	570	N/A	N/A	1.6	74
O/S Restructured book	11,020	327	6,690	162	312	115	540
Restructured book as % of advances	3.0%	0.1%	2.76%	0.26%	0.5%	0.19%	1.4%
Gross NPA+Restructured book	22,567	3,689	10,303	1,327	966	337	1176
Gross NPA+Restructured book as % of adv	6.2%	1.1%	4.3%	2.2%	1.6%	0.5%	3.0%
RoE (Trailing)	13.4%	19.3%	15.5%	12.3%	16.8%	15.7%	8.6%
RoA	1.8%	2.0%	1.7%	2.0%	1.9%	1.7%	1.2%
P/E (Trailing)	19.45	24.58	16.77	57.33	23.86	16.43	24.68
P/ABV	2.75	4.83	2.80	7.41	4.09	2.59	2.18
P/ABV for 20% slippages from rest book	2.83	4.84	2.89	7.43	4.03	2.59	2.21
CMP	1774	944	478	1205	720	698	817

Source: Company data, Nirmal Bang Research

Our take: Prefer Axis Bank, ICICI Bank (good results and higher exposure to infra segment), HDFC Bank (relative underperformance compared to other banks) and Yes Bank (capital raising to augur well for growth) amongst the pack.

Banking Sector – Earnings Review

Category II- South Based Private sector banks and Other Banks

	Fed Bank	South Indian	KVB	Karnataka Bank	City Union	J&K Bank	DCB
YTD performance	68.2%	33.6%	51.4%	25.2%	86.4%	-7.3%	78.6%
Results Comment	Above exp	Below exp	In line	In line	In line	Below exp	In line
Advances	48,466	35,371	35,119	29,718	16,758	45,072	8,793
<i>YoY growth</i>	<i>14.8%</i>	<i>11.4%</i>	<i>11.6%</i>	<i>12.3%</i>	<i>6.8%</i>	<i>9.6%</i>	<i>31.7%</i>
Deposits	64,564	46,693	44,862	44,196	23,152	62,972	10,900
<i>YoY growth</i>	<i>13.7%</i>	<i>7.4%</i>	<i>3.4%</i>	<i>16.3%</i>	<i>10.0%</i>	<i>2.9%</i>	<i>24.0%</i>
CD ratio	75.1%	75.8%	78.3%	67.2%	72.4%	71.6%	80.7%
CASA	19,732	10,315	9,780	10,747	4,281	24,996	2,775
<i>YoY growth in CASA</i>	<i>13.1%</i>	<i>11.3%</i>	<i>17.4%</i>	<i>18.9%</i>	<i>21.0%</i>	<i>6.1%</i>	<i>17.3%</i>
CASA ratio	30.6%	22.1%	21.8%	24.3%	18.5%	39.7%	25.5%
NIMs	3.4%	2.8%	2.7%	2.4%	3.4%	4.0%	3.7%
Other income % of total income	24.4%	20.7%	28.7%	25.7%	30.4%	10.9%	23.9%
Cost to income ratio	48.9%	53.3%	56.2%	50.4%	41.7%	44.3%	61.3%
Gross NPA	1,031	553	481	1,061	338	2,187	169
QoQ Increase in GNPA	1.4%	6.9%	6.6%	6.1%	9.6%	15.8%	13.2%
Gross NPA %	2.1%	1.6%	1.4%	3.5%	2.0%	4.6%	1.9%
Net NPA	319	318	208	702	219	1109	94
Net NPA %	0.7%	0.9%	0.6%	2.4%	1.3%	2.5%	1.1%
Capital Adequacy Ratio	14.5%	12.1%	14.4%	12.08%	16.0%	12.7%	13.0%
Tier I	13.9%	10.7%	13.5%	10.04%	15.5%	11.3%	12.1%
Provision coverage ratio	85.1%	62.9%	75.0%	N/A	62.0%	54.9%	76.8%
Slippages	176	79	160	230	97	377	41.82
Slippage ratio	1.5%	0.9%	1.8%	3.1%	2.3%	3.3%	1.9%
Restructured during the quarter	68	323	199	110	0	130.21	N/A
Outstanding Restructured book	2,445	1,748	1,599	1,656	250	1,269	83
Restructured book as % of advances	5.0%	4.9%	4.6%	5.6%	1.5%	2.8%	0.9%
Gross NPA+Restructured book	3,476	2,301	2,080	2,717	588	3,456	252
Gross NPA+Restructured book as % of adv	7.2%	6.5%	5.9%	9.1%	3.5%	7.7%	2.9%
RoE (Trailing)	13.0%	13.6%	12.4%	12.2%	16.9%	14.6%	13.6%
RoA	1.28%	0.56%	0.69%	0.72%	1.42%	0.96%	1.25%
P/E (Trailing)	12.91	7.99	14.62	6.77	15.61	7.21	16.17
P/ABV	1.76	1.20	1.92	1.05	2.85	1.28	2.39
P/ABV for 20% slippages from rest book	1.89	1.35	2.12	1.21	2.92	1.35	2.43
CMP	146	28	531	143	96	130	104

Source: Company data, Nirmal Bang Research

Comments:

Within South based banks, only Federal Bank reported an improvement in asset quality. Apart from the South based banks, DCB reported stable numbers while Jammu and Kashmir Bank reported dismal performance led by significant slippages during the quarter.

Our Take: Prefer Federal Bank (good results) and DCB Bank (improving operating metrics).

Banking Sector – Earnings Review

Trends witnessed in asset quality in last 4 quarters

Gross NPA	Q3FY14	Q4FY14	Q1FY15	Q2FY15
Axis Bank	1.25%	1.22%	1.34%	1.30%
ICICI Bank	3.05%	3.03%	3.05%	3.12%
HDFC Bank	1.00%	1.00%	1.10%	1.07%
Kotak Bank	2.01%	1.98%	1.88%	1.89%
Indusind	1.18%	1.12%	1.11%	1.08%
ING Vysya Bank	1.68%	1.77%	2.39%	1.59%
Yes Bank	0.39%	0.31%	0.33%	0.36%
Federal Bank	2.83%	2.46%	2.22%	2.10%
South Indian Bank	1.66%	1.19%	1.50%	1.55%
Karur Vysya Bank	1.47%	0.82%	1.30%	1.36%
Karnataka Bank	3.65%	2.92%	3.43%	3.53%
City Union Bank	1.70%	1.81%	1.91%	2.00%
DCB Bank	2.77%	1.69%	1.78%	1.90%

Source: Company data, Nirmal Bang Research

Restructured book	Q3FY14	Q4FY14	Q1FY15	Q2FY15
Axis Bank	2.30%	2.60%	2.73%	2.76%
ICICI Bank	2.60%	3.10%	3.20%	3.00%
HDFC Bank	0.20%	0.20%	0.20%	0.10%
Indusind	0.31%	0.33%	0.40%	0.52%
ING Vysya Bank	1.64%	1.62%	1.40%	1.37%
Yes Bank	0.18%	0.18%	0.19%	0.19%
Federal Bank	5.46%	5.76%	5.48%	5.04%
South Indian Bank	4.50%	4.50%	4.80%	4.90%
Karur Vysya Bank	3.65%	4.09%	4.30%	4.55%
Karnataka Bank	5.60%	5.55%	5.52%	5.57%
City Union Bank	1.91%	1.70%	1.62%	1.48%
DCB Bank	0.39%	0.95%	0.89%	0.94%

Source: Company data, Nirmal Bang Research

Banking Sector – Earnings Review

PSU Banks: On expected lines

PSU Banks performance was broadly on similar lines as compared to previous quarters. Asset quality concerns continued leading to erosion of the profitability. Among the large caps, **SBI and BOB** while in Mid caps, banks like **Allahabad Bank, Andhra Bank** reported stable numbers on asset quality.

Performance analysis:

- With slower than anticipated economy recovery leading to weak corporate demand, most banks continued to focus on retail loans.
- NIMs stood stable for large public sector banks like **BoB and SBI** on QoQ basis while **PNB and Union bank** witnessed decline in margins.
- Core fee income of the PSU banks continued to remain weak.
- Q2FY15 saw addition at both Gross and net NPA levels. A large part of the increase in gross NPAs were due to lower recovery/ up-gradation and write-offs and absence of sale to ARCs. Outstanding restructured loans increased. Cautious commentary by management across banks suggests asset quality pain might continue for few more quarters. Recent coal de-allocation and couple of stressed large corporate loans have added uncertainty around asset quality and improvement is expected from early FY16.
- **SBI, BoB, OBC** has seen a marginal improvement in fresh impairments on sequential basis whereas **PNB** saw a sharp increase in impairments.
- Slippages from the restructured book now stand at an average of 15% for most of the banks.
- Most of the banks saw stable provision coverage ratio. However, banks like **SBI, Andhra Bank and Allahabad bank** reported improvement in provision coverage ratio.
- Tax rate was higher for most of the banks as compared to last year.
- Capitalization remains weak with core Tier I at less than 8% for most of the banks. Banks like **SBI, Bank of Baroda** have Tier I ratios above 9%.
- Weak capital position amid the implementation of stringent Basel III norms has been the key concern for the PSU Banks, as it has threatened frequent equity dilution.
- Improvement in growth coupled with favorable capital markets would lead to lower stress addition. This is likely to drive margin expansion and lower the credit cost for PSU Banks and thereby result in improvement in return ratios. In our view, PSU banks having higher exposure to mid corporate and SME cycle are best placed to leverage on improving macro-economic environment and better operating environment.
- **We prefer front liners like SBI and BOB within the PSU pack.**

Banking Sector – Earnings Review

Category III- PSU Banks Arranged as per Size of Advance Book (Large Banks)

	SBI	Bank of Baroda	Bank of India	PNB	Canara Bank	Union Bank of India
YTD performance	72.8%	57.4%	15.5%	54.5%	40.7%	60.6%
Results comment	In line	In line	Below exp	Below exp	Below exp	Below exp
Advances	1,209,648	385,766	393,142	357,093	310,900	238,393
<i>YoY growth</i>	<i>9.7%</i>	<i>13.5%</i>	<i>18.3%</i>	<i>13.7%</i>	<i>10.6%</i>	<i>9.7%</i>
Deposits	1,473,785	566,926	518,432	473,511	461,200	300,165
<i>YoY growth</i>	<i>14.0%</i>	<i>16.9%</i>	<i>19.9%</i>	<i>16.7%</i>	<i>17.8%</i>	<i>4.6%</i>
CD ratio	82.1%	68.0%	75.8%	75.4%	67.4%	79.4%
CASA	591,800	148,029	107,587	171,576	104,000	86,189
<i>YoY growth</i>	<i>12.4%</i>	<i>15.90%</i>	<i>12.30%</i>	<i>9.7%</i>	<i>9.2%</i>	<i>6.3%</i>
CASA ratio	40.2%	31.9%	28.4%	36.2%	22.5%	28.7%
NIMs	3.10%	2.40%	2.31%	3.18%	2.20%	2.50%
Other income % of total income	25.6%	22.6%	24.9%	27.3%	29.7%	28.0%
Cost to income ratio	52.8%	45.3%	47.1%	49.6%	52.0%	53.9%
Gross NPA	60,712	13,058	14,127	20,752	9,160	11,462
QoQ Increase in GNPA	0.5%	8.0%	12.7%	5.9%	12.3%	12.0%
Gross NPA %	4.9%	3.3%	3.5%	5.7%	2.9%	4.7%
Net NPA	32,997	6,705	9,101	11,618	7,170	6,449
Net NPA %	2.7%	1.7%	2.3%	3.3%	2.3%	2.7%
Capital Adequacy Ratio	12.3%	12.2%	11.5%	11.8%	10.2%	10.3%
Tier I	9.6%	9.3%	8.0%	8.7%	7.4%	7.3%
Provision coverage ratio	63.2%	65.4%	56.3%	59.1%	58.7%	58.0%
Slippages	7,700	1,850	2,971	3,974	3,178	1,970
<i>Slippage ratio</i>	<i>2.5%</i>	<i>1.9%</i>	3.0%	4.5%	4.1%	3.3%
<i>Restructured during the quarter</i>	4,351	1,175	1,358	3,293	930	931
Restructured book	43,962	22,417	11,738	36,377	20,392	12,603
<i>Restructured book as % of advances</i>	<i>3.6%</i>	<i>5.8%</i>	<i>3.0%</i>	<i>10.2%</i>	<i>6.6%</i>	<i>5.3%</i>
Gross NPA+Restructured book as % of adv	104,674	35,475	25,865	57,129	29,552	24,065
<i>Gross NPA+Restructured book % of adv</i>	<i>8.7%</i>	<i>9.2%</i>	<i>6.6%</i>	<i>16.0%</i>	<i>9.5%</i>	<i>10.1%</i>
RoE (Trailing)	9.40%	12.5%	11.8%	9.7%	9.8%	10.6%
RoA	0.7%	0.7%	0.5%	0.4%	0.7%	0.4%
P/E (Trailing)	19.65	9.57	6.67	10.08	7.56	6.88
P/ABV	2.51	1.46	1.29	1.44	0.99	1.12
<i>P/ABV for 20% slippages from rest book</i>	<i>2.78</i>	<i>1.71</i>	<i>1.54</i>	<i>2.03</i>	<i>1.26</i>	<i>1.42</i>
CMP	309	1038	284	986	402	213

Our take: Prefer SBI (higher beta play and proxy to economic recovery) and Bank of Baroda (improving performance in last two quarters)

Banking Sector – Earnings Review

Category IV- PSU Banks Arranged as per Size of Advance Book (Mid-sized Banks)

	IDBI Bank	Central	IOB	Syndicate	UCO	OBC	Allahabad Bank
YTD performance	5.6%	43.8%	8.3%	32.5%	6.1%	23.3%	21.9%
Results Comment	Below exp	Below exp	Below exp	Below exp	Below exp	Below exp	Stable
Advances	195,057	179,598	175,181	173,845	139,519	138,205	143,125
<i>YoY growth</i>	<i>6.2%</i>	<i>4.0%</i>	<i>2.3%</i>	<i>13.6%</i>	<i>3.2%</i>	<i>7.7%</i>	<i>6.9%</i>
Deposits	238,006	247,489	239,224	239,215	203,554	186,390	185,297
<i>YoY growth</i>	<i>17.5%</i>	<i>7.4%</i>	<i>12.5%</i>	<i>25.4%</i>	<i>7.8%</i>	<i>6.4%</i>	<i>2.7%</i>
CD ratio	82.0%	72.6%	73.2%	72.7%	68.5%	74.1%	77.2%
CASA	52,433	80,758	56,840	63,778	N/A	46,348	60,597
<i>YoY growth</i>	<i>17.8%</i>	<i>8.26%</i>	<i>5.3%</i>	<i>19.0%</i>	N/A	<i>7.8%</i>	<i>7.7%</i>
CASA ratio	22.0%	32.6%	23.8%	29.9%	N/A	24.9%	32.7%
NIMs	1.93%	2.9%	2.07%	2.57%	N/A	2.63%	3.1%
<i>Other income % of total income</i>	35.1%	18.0%	26.2%	23.5%	20.6%	24.0%	25.5%
Cost to income ratio	44.8%	62.1%	60.0%	48.7%	39.4%	47.8%	42.7%
Gross NPA	11,559	11,440	13,334	6,049	7,447	6,644	7,674
<i>QoQ Increase in GNPA</i>	7.4%	-0.1%	28.8%	15.4%	17.3%	11.0%	0.7%
Gross NPA %	5.7%	6.1%	7.4%	3.4%	5.2%	4.7%	5.4%
Net NPA	5,438	6,073	9,109	3,825	4,389	4,520	4,948
Net NPA %	2.8%	3.4%	5.2%	2.2%	3.2%	3.3%	3.5%
Capital Adequacy Ratio	12.4%	10.7%	10.3%	10.4%	12.2%	10.9%	10.2%
Tier I	7.26%	7.43%	7.3%	7.9%	N/A	8.8%	7.74%
Provision coverage ratio	53.6%	55.0%	48.7%	65.4%	N/A	59.0%	55.2%
Slippages	1093	1704	3700	1675	2400	978	1304
Slippage ratio	2.2%	3.8%	8.4%	3.9%	6.9%	2.8%	3.6%
Restructured during the quarter	N/A	1576	280	228	500	714	1404
Restructured book	14,334	27,185	15318	10736	12,913	10,804	12,238
Restructured book as % of advances	7.3%	15.1%	8.7%	6.2%	9.3%	7.8%	8.6%
Gross NPA+Restructured book	25,893	38,625	28,652	16,785	20,360	17,448	19,912
Gross NPA+Rest book % of advances	13.3%	21.5%	16.4%	9.7%	14.6%	12.6%	13.9%
RoE (Trailing)	3.8%	5.0%	2.5%	13.6%	10.9%	8.9%	6.6%
RoA	0.15%	0.15%	-0.35%	0.50%	0.17%	0.50%	0.27%
P/E (Trailing)	13.61	20.94	19.06	5.07	7.01	7.13	8.71
P/ABV	0.69	2.79	1.29	1.02	1.25	0.95	1.03
P/ABV for 20% slippages from rest book	0.83	-6.73	2.96	1.41	2.00	1.26	1.69
CMP	72	75	57	129	85	283	118

Source: Company data, Nirmal Bang Research

Banking Sector – Earnings Review

Category V: PSU Banks Arranged as per Size of Advance Book (Small sized Banks)

	Corp Bank	Indian Bank	Andhra bank	BoM	Vijaya	Dena Bank	United Bank
YTD performance	24.6%	60.2%	29.0%	21.7%	27.2%	-3.1%	31.2%
Results comment	Below exp	Below exp	Better than exp	Operationally good	Stable	Below exp	In line
Advances	136,029	119,099	114,928	88,283	78,540	73,855	63,284
<i>YoY growth</i>	<i>12.4%</i>	<i>7.2%</i>	<i>14.1%</i>	<i>1.2%</i>	<i>10.0%</i>	<i>14.0%</i>	<i>-22.8%</i>
Deposits	191,265	164,982	145,084	117,452	123,199	106,461	104,916
<i>YoY growth</i>	<i>10.3%</i>	<i>8.1%</i>	<i>12.2%</i>	<i>0.1%</i>	<i>14.1%</i>	<i>13.7%</i>	<i>-10.9%</i>
CD ratio	71.1%	72.2%	79.2%	75.2%	63.8%	69.4%	60.3%
CASA	36,125	45,655	35,361	41,723	23,348	30,027	40,928
<i>YoY growth</i>	<i>11.1%</i>	<i>11.7%</i>	<i>14.3%</i>	<i>10.76%</i>	<i>16.8%</i>	<i>10.51%</i>	<i>-4.4%</i>
CASA ratio	18.9%	27.7%	24.4%	35.5%	19.0%	28.2%	39.0%
NIMs	2.00%	2.67%	2.93%	2.90%	1.96%	2.32%	1.99%
Other income % of total income	22.7%	22.20%	20.10%	18.30%	22.70%	22.3%	37.6%
Cost to income ratio	49.8%	49.4%	46.0%	51.5%	59.10%	60.4%	48.90%
Gross NPA	6,155	5,003	6,884	4,351	2,239	3,861	7,075
QoQ Increase in GNPA	12.5%	5.9%	0.8%	15.7%	8.2%	21.8%	-16.7%
Gross NPA %	4.45%	4.21%	6.0%	4.83%	2.85%	5.12%	10.78%
Net NPA	3,978	2,976	4,316	2,901	1,462	2,648	4,486
Net NPA %	2.92%	2.55%	3.9%	3.29%	1.88%	3.59%	7.19%
Capital Adequacy Ratio	11.28%	12.82%	10.22%	11.65%	10.21%	10.99%	10.48%
Tier I	7.9%	10.6%	7.5%	8.0%	8.0%	7.3%	7.2%
Provision coverage ratio	52.6%	57.4%	50.3%	49.1%	63.1%	51.9%	54.8%
Slippages	790	611	980	1277.26	731	1223	N/A
Slippage ratio	2.3%	2.1%	3.4%	5.8%	3.7%	6.6%	N/A
Restructured during the quarter	496.0	600	562.02	590	192	N/A	N/A
Restructured book	9,463	9,312	10,999	7,357	4,498	8,347	5219
Restructured book as % of advances	7.0%	7.8%	9.6%	8.3%	5.7%	11.3%	8.2%
Gross NPA+Restructured book	15,618	14,315	17,883	11,708	6,737	12,208	12,294
Gross NPA+Restructured book % of adv	11.5%	12.0%	15.6%	13.3%	8.6%	16.5%	19.4%
RoE (Trailing)	5.4%	8.8%	4.3%	4.1%	9.1%	6.0%	-15.9%
RoA	0.3%	0.69%	0.34%	0.48%	0.43%	0.17%	0.14%
P/E (Trailing)	9.69	8.21	12.76	10.45	8.06	8.34	-4.65
P/ABV	0.84	0.96	1.05	1.19	0.97	0.85	-8.98
P/ABV for 20% slippages from rest book	1.18	1.20	1.99	2.28	1.21	1.51	-2.21
CMP	324	187	83	44	51	60	43

Source: Company data, Nirmal Bang Research

Our take: Prefer Vijaya Bank (Stable performer) amongst the pack

Banking Sector – Earnings Review

Trends witnessed in asset quality in last 4 quarters

Gross NPA				
	Q3FY14	Q4FY14	Q1FY15	Q2FY15
SBI	5.73%	4.95%	4.90%	4.89%
BOB	3.32%	2.94%	3.11%	3.32%
PNB	4.96%	5.25%	5.48%	5.65%
Bank of India	2.81%	3.15%	3.28%	3.54%
Canara Bank	2.79%	2.49%	2.67%	2.92%
Union Bank	3.85%	4.08%	4.27%	4.69%
Syndicate Bank	2.80%	2.62%	2.97%	3.43%
Oriental Bank	3.87%	3.99%	4.33%	4.74%
Dena Bank	2.96%	3.33%	4.21%	5.12%
Allahabad Bank	5.47%	5.73%	5.48%	5.36%
Andhra Bank	5.56%	5.29%	5.98%	5.99%
Indian Bank	3.42%	3.67%	4.01%	4.21%
UCO Bank	5.20%	4.32%	4.31%	5.20%

Source: Company data, Nirmal Bang Research

Restructured book				
	Q3FY14	Q4FY14	Q1FY15	Q2FY15
SBI	4.88%	3.56%	3.52%	3.63%
BOB	7.60%	7.10%	7.60%	7.60%
PNB	9.59%	10.17%	9.79%	10.20%
Bank of India	4.66%	3.66%	2.82%	2.99%
Canara Bank	6.41%	6.73%	6.90%	6.56%
Union Bank	4.84%	5.27%	5.00%	5.16%
Syndicate Bank	6.45%	6.32%	6.14%	6.08%
Oriental Bank	7.20%	7.60%	7.80%	7.80%
Dena Bank	10.90%	9.10%	10.50%	11.30%
Allahabad Bank	7.37%	7.74%	8.56%	8.55%
Andhra Bank	10.20%	9.70%	9.50%	9.60%
Indian Bank	8.00%	7.00%	7.90%	7.80%
UCO Bank	9.10%	7.50%	8.80%	9.30%

Source: Company data, Nirmal Bang Research

Banking Sector – Earnings Review

NOTES

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