

Federal Bank

Update/Target price revision

22 Sep 2009

Buy

Target Price: Rs371

CMP: Rs244*

Upside: 52%

*as on 18 Sept 2009

CSB acquisition misunderstood

Federal Bank's strategy to become a market leader in Kerala through the acquisition of Catholic Syrian Bank (CSB) would augur well for the bank, if the merger fructifies. However, concerns that the bank is overpaying for this acquisition appear overdone. We find Federal Bank undervalued at 1x FY09 P/Adj BV and reiterate Buy with a revised target price of Rs371 at 1.3x FY11E P/Adj BV, implying 52% upside from current levels.

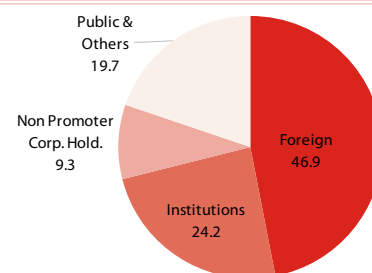
- **Merger value-accretive if pricing is between 2x and 2.5x P/BV:** We have valued Federal Bank at 1.3x P/Adj BV (single-stage Gordon growth) to arrive at our target price of Rs371, assuming Federal Bank will not pay in excess of 2.5x P/BV for CSB. Our estimated value for CSB is based on relative valuations to which we have given a 100% controlling stake premium.
- **CSB merger fits Federal Bank's regional leadership strategy:** Regional leadership strategy is appropriate for Federal Bank, as it would allow the bank to leverage its brand image, rather than foray into unknown markets. If the CSB merger goes through, Federal Bank would be rightly positioned to become the market leader in Kerala and also productively utilise its excess capitalisation. Moreover, the merger would raise the entry barriers for other banks in Kerala.
- **Value of core franchise ignored:** We believe current valuations ignore the strength of Federal Bank's existing franchise. It is the fourth-largest private sector bank, having a strong balance sheet with a high tier 1 capital (17.5%), highest provision coverage (89%), excellent asset quality (NNPAs at 0.29% in FY09) and high RoA (1.4%).
- **Estimates revised:** We have raised our earnings estimates (standalone) by 5.8% and 8.5% for FY10 and FY11, respectively, primarily on account of reduced provisions and higher other income. We have marginally reduced our NII estimates, owing to reduction in NIM estimate from 3.5% and 3.6% to 3.3% in FY10 and FY11, respectively. Raised our loan growth estimate to 25% from 20% and 24%, respectively.
- **Risks: Upside** – We have not valued Federal Bank's 26% stake in the IDBI-Fortis insurance joint venture. **Downside** – (1) The bank could end up overpaying for the acquisition in a bid to become a market leader in south India. (2) Trade unions could be disruptive. (3) Execution risks associated with any acquisition.

Key Data

Bloomberg Code	FB IN
Reuters Code	FED.BO
Current Shares O/S (mn)	170.9
Diluted Shares O/S(mn)	170.9
Mkt Cap (Rsbn/USDmn)	42/873
52 Wk H / L (Rs)	269/110
Daily Vol. (3M NSE Avg.)	418,233
Face Value (Rs)	10

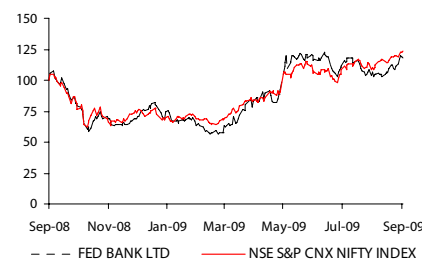
USD = Rs48.2

Shareholding Pattern (%)



As on 30 June 2009

One Year Indexed Stock Performance



Price Performance (%)

	1M	6M	1Yr
Federal Bank	11.1	87.6	17.9
NIFTY	11.4	77.7	23.0

Source: Bloomberg, Centrum Research
*as on 18 September 2009

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Y/E Mar (Rsmn)	NII	Non Int. Inc.	Adj PAT	YoY (%)	EPS (Rs)	P/E (x)	Adj BV (Rs)	P/Adj BV (x)	RoE (%)	RoA (%)
FY07	7,165	3,026	2,927	30.0	17.1	14.2	168.1	1.5	21.3	1.3
FY08	8,680	3,950	3,680	25.7	21.5	11.3	227.1	1.1	13.6	1.3
FY09	13,155	5,160	5,077	37.9	29.7	8.2	249.1	1.0	12.3	1.4
FY10E	13,779	5,564	5,038	(0.8)	29.5	8.3	263.5	0.9	11.2	1.2
FY11E	16,446	6,316	5,847	16.1	34.2	7.1	285.8	0.9	12.0	1.1

Source: Company, Centrum Research Estimates

Concerns overdone; Federal Bank undervalued

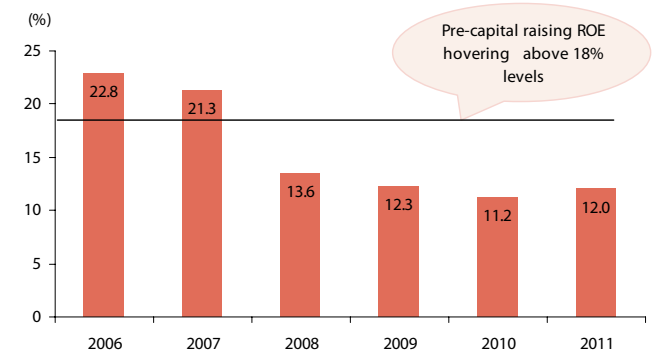
We believe concerns that Federal Bank would overpay for the Catholic Syrian Bank (CSB) acquisition are overdone. Though CSB's franchise productivity is much lower than that of Federal Bank, we believe this is already captured in the latter's current market price (CMP: Rs244 as on 18 September 2009). We have valued Federal Bank at 1.3x P/Adj BV (single-stage Gordon growth) to arrive at our target price of Rs371, an upside of 57% from current levels, assuming Federal Bank will not pay in excess of 2.5x P/BV for CSB. Our estimated value for CSB is based on relative valuations to which we have assigned a 100% premium for controlling stake. The market is ignoring Federal Bank's strong balance sheet and its inherent profitability and hence, the stock should trade at a premium to other old generation private sector banks.

Exhibit 1: P/BV to value Federal Bank

Rf (%)	7.0
Beta	0.8
Market return (%)	13.0
Growth (%)	5.0
Sustainable RoE (%)	14.0
Target P/B multiple	1.3

Source: Centrum Research Estimates

Exhibit 2: RoE movement



Source: Company, Centrum Research Estimates

Federal Bank's ROE hovered at 22% levels during FY06 and FY07 and slid to 13% levels in FY08, as the bank raised capital during the period. We expect the bank to productively deploy this capital and therefore attribute 14% ROE on a sustainable basis driving a P/BV of 1.3x.

Acquisition value-accretive at 2x-2.5x P/BV

We estimate CSB would be able to generate 14% return on invested capital (RoIC) by FY12, provided the merger with Federal Bank fructifies. Hence, at 2-2.5x P/BV the acquisition would be value-accretive for Federal Bank, in our view. Our estimated value for CSB is based on relative valuations to which we have given a 100% controlling stake premium in a worst case scenario.

Exhibit 3: Estimated ROIC for Federal Bank merger

P/BV (x)	RoIC (%)			
	FY09	FY10E	FY11E	FY12E
1.0	8.6	8.8	22.1	34.2
1.5	5.7	5.9	14.7	22.8
2.0	4.3	4.4	11.1	17.1
2.5	3.4	3.5	8.8	13.7
3.0	2.9	2.9	7.4	11.4
3.5	2.5	2.5	6.3	9.8
4.0	2.2	2.2	5.5	8.6
4.5	1.9	2.0	4.9	7.6
5.0	1.7	1.8	4.4	6.8

Source: Centrum Research Estimates

Our estimates for CSB in the event of merger with Federal Bank

CSB would be a strategic fit for Federal Bank due to regional and cultural similarities between the two. Also, the merger would generate synergies, which would reduce CSB's cost of funds (due to better credit rating of Federal Bank) and cost savings due to the closure of few regional offices.

We have assumed 15% growth CSB's interest income over FY09-12E, flat NIM at 2.6% for FY10E and 20bp increase in FY11E and FY12E each (*refer to Exhibit 4 for reasons*). We forecast 12% growth in other income over FY10-12E and expect cost-to-income ratio to improve to 41% by FY12E (primarily on account of closure of few regional and head offices due to overlap).

Exhibit 4: CSB standalone financials (assuming merger with Federal Bank)

Y/E March (Rsmn)	FY09	FY10E	FY11E	FY12E	Comments
NII	1,657	2,091	2,657	3,359	
Other Income	996	896	1,004	1,124	
Total Income	2,653	2,987	3,661	4,484	
Costs	(1,865)	(2,052)	(1,846)	(1,847)	
C/I Ratio (%)	70.3	68.7	50.4	41.2	
Growth in costs (%)		10.0	(10.0)	0.0	Assuming cost synergies due to closure of few regional offices due to overlap and improving productivity
Provisions	(273)	(410)	(491)	(590)	Provision of Rs160mn made towards salary arrears in FY09
PBT	515	526	1,323	2,047	
Tax	(181)	(185)	(464)	(718)	
Tax Rate (%)	35.1	35.1	35.1	35.1	
PAT	334	341	859	1,329	
Interest earning assets	68,154	80,422	94,898	111,979	
Interest earning assets growth (%)		18.0	18.0	18.0	Assuming 18% growth in interest earning assets, in line with 17-19% growth assumed for other banks under our coverage over FY10E-11E
NIM (%)	2.6	2.6	2.8	3.0	Incremental cost of funds to fall
Other income growth (%)		(10.0)	12.0	12.0	Federal Bank has been generating 12% growth in core fee income over last three years

Source: Company, Centrum Research Estimates

Exhibit 5: CSB's productivity franchise lower than Federal Bank

Particulars	Federal Bank	CSB
Networth (Rsmn)	43,260	3,880
NNPAs (Rsmn)	681	880
No of branches	612	363
No of employees	7,570	2,676
RoE (%)	12.3	10.7
RoA (%)	1.4	0.6
NIM (%)	4.3	2.6
Other Inc/Total Income (%)	28.2	37.5
CI Ratio (%)	31.2	70.3
Provisions/Avg loans (%)	2.2	0.7
Tax Rate (%)	36.6	32.7
Business Per Branch (Rsmn)	892	276
Profit Per branch (Rsmn)	8.2	1.0
Business per employee (Rsmn)	72.1	37.4
Profit per employee (Rsmn)	0.7	0.1

Source: Company, Centrum Research

Implied valuation metrics for Federal Bank-CSB merger

Exhibit 6: Peer group valuation - small private sector banks

(Rsmn)	Mkt Cap	CMP	PAT	Tier 1 Cap (%)	RoE (%)	RoA (%)	Branches	Mcap per branch	FY09 P/BV (x)
Federal Bank	40,274	235.6	4,720	18.3	11.5	1.3	612	65.81	0.9
Karur Vysya Bank	16,825	312	2,358	14.4	18.6	1.5	296	56.84	1.2
Karnataka Bank	15,973	131.4	2,667	10.7	18.1	1.3	452	35.34	1.0
South Indian Bank	13,442	119	1,948	13.2	15.8	1.0	519	25.9	1.0
Dhanalakshmi Bank	11,047	160.5	575	13.8	19.3	1.2	181	61.03	2.6
City Union Bank	8,768	27.4	1,221	11.5	19.9	1.5	209	41.95	1.3
Lakshmi Vilas Bank	5,177	108.3	503	8.6	11.5	0.7	247	20.96	1.1
Yes Bank	52,880	178.0	3,038	9.5	20.6	1.5	118	448.14	3.3

Source: Bloomberg, Centrum Research

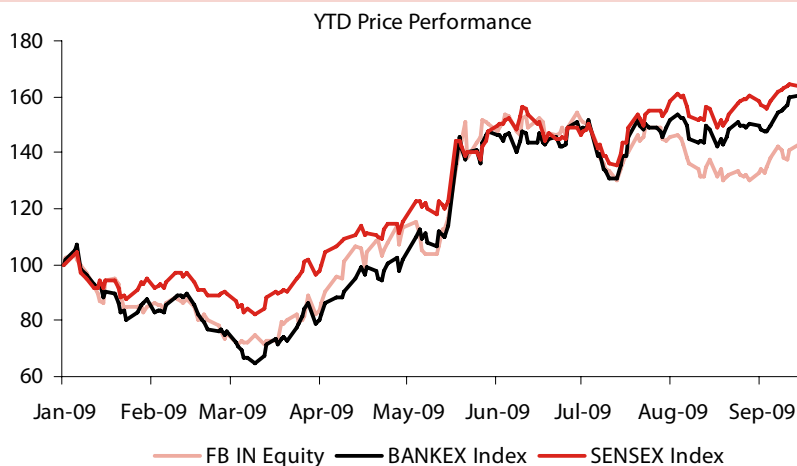
We have assumed Federal Bank's tier I capital at 12% the average of peers and value its core book at 1.4x FY09 P/BV (average P/BV multiple of peers), and excess capital at 1x P/BV. This implies the market is assuming implied CSB's P/BV at 3.5x and writing off the goodwill against the current book value and ignoring the book value accretion in the coming two years.

Exhibit 7: Federal Bank's valuation based on peer group P/BV multiple and tier 1 capital

(Rsmn)	P/BV (x)	Value
Required capital at 12%	1.4	35,084
Excess Capital	1.0	14,750
FY09 Equity	1.2	49,834
Upside (%)		23.7
Implied CSB Goodwill		9,560
Implied CSB P/BV paid (x)		3.5

Source: Bloomberg, Centrum Research

Exhibit 8: Federal Bank vs Bankex and Sensex: Stock underperforms significantly



Source: Bloomberg

Downside risk to our CSB estimates

If Federal Bank is unable to generate the cost synergies with CSB, if the merger takes place, assuming a 60% historical average CI ratio, we perceive a downside risk to the tune of Rs20/share (assuming good will write-off to arrive at a RoIC of 14%) to our target price.

Exhibit 9: Sensitivity Analysis: Cost/Income Ratio

		Cost Income Ratio (%)					
		34.0	36.2	41.2	46.2	51.2	56.2
P/BV (x)	1.0	37.8	33.9	30.1	26.2	22.3	18.4
	1.5	25.2	22.6	20.0	17.4	14.9	12.3
	2.0	18.9	17.0	15.0	13.1	11.1	9.2
	2.5	15.1	13.6	12.0	10.5	8.9	7.4
	3.0	12.6	11.3	10.0	8.7	7.4	6.1
	3.5	10.8	9.7	8.6	7.5	6.4	5.3
	4.0	9.5	8.5	7.5	6.5	5.6	4.6

Source: Centrum Research Estimates

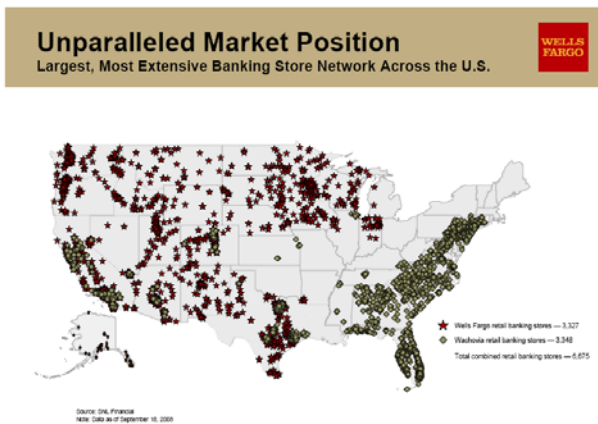
However, we believe Federal Bank will be able to improve the productivity of CSB franchise, given that currently its profit per branch is almost twice that of South Indian Bank (SIB). We have compared it with SIB, as both operate primarily in Kerala.

Anecdotal evidence: Market rewards regional player Wells Fargo

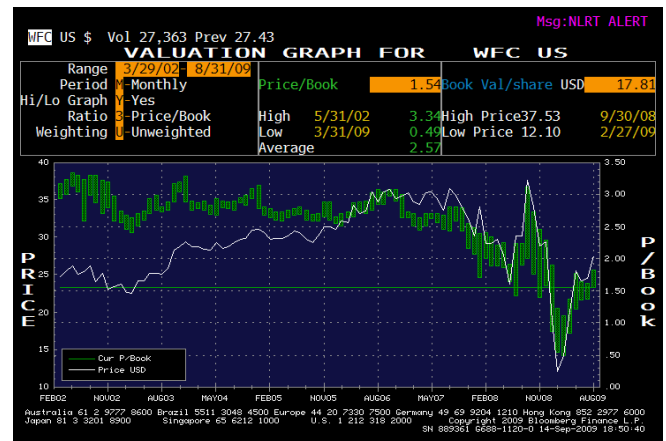
A common perception in the Indian markets is that regional players do not command premium valuations. Past experience in the Indian capital markets suggest that regional players trade a discount to mainstream players. We cite Wells Fargo (a California-based bank), which is a global example of a regional bank, that breaks this perception. Wells Fargo for a long period focused only in the US west coast and has been trading at an average 2.6x P/BV over the last 7 years, which is much higher than Federal Bank's current valuation at 1x.

Exhibit 10: Standalone Wells Fargo being a regional player... (side by side)

Exhibit 11: ...commanded decent valuation at 2.6x P/BV (higher than 1x for Federal Bank)



Source: Company



Source: Bloomberg

Aiming for market leadership in Kerala

Federal Bank aims to become a market leader in Kerala. Given its regional focus is untried in the Indian context, we believe the bank is emulating the strategy followed by Wells Fargo (market leader in select markets through organic and inorganic growth). We view this expected merger as value-accretive, given that the region provides ample opportunity to leverage excess capital and brand image that the bank commands there.

Federal Bank's focus on Kerala, Tamil Nadu and Karnataka and all other metro areas in India provides ample opportunity for the bank to build a profitable franchise, especially given its presence in the said region. This region constitutes 23% of India's total banking market, where Federal Bank operates at a mere 0.8% market share. Besides, the Kerala market constitutes 3.2% of India's total banking business.

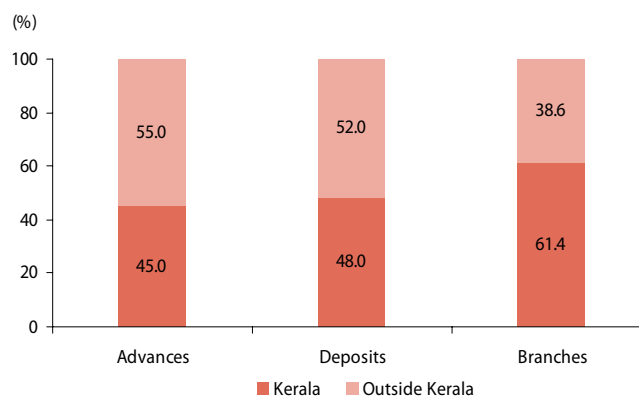
Exhibit 12: Core markets provide immense opportunity

	Offices	Deposit (Rsbn)	Credit (Rsbn)
Other regions - Metro areas only	10,594	18,579	15,626
Core Markets (Southern Region)	16,660	7,467	6,637
Andhra Pradesh - Metro	954	1,019	1,135
Karnataka	5,716	2,567	1,967
Kerala	4,016	1,352	816
Tamil Nadu	5,841	2,470	2,690
Lakshadweep	11	5	0
Puducherry	122	55	28
Total FB target areas	27,254	26,046	22,263
		0	0
All India	79,056	39,373	28,575
Market share			
Total FB target areas (%)	34.5	66.2	77.9
Total FB Core markets (%)	21.1	19.0	23.2
Kerala (%)	5.1	3.4	2.9
Federal Bank	612	32,198	22,392
Federal Bank market share (%)	0.8	0.8	0.8

Source: RBI

Currently, SBI and its associates (~30% market share in business and ~22% market share in branch network) and Federal Bank (10% market share in branch network and ~20% in business) dominate the Kerala market. As Federal Bank is highly dependent on Kerala for business and its brand recall is higher in this region, the management aims to leverage its brand image to become a market leader here. Even though its closest competitor, South Indian Bank has a similar branch network in Kerala, Federal Bank shows much higher productivity (Refer Exhibits: 23 and 24)

Exhibit 13: Federal Bank: Current dependence on Kerala



Source: Company, Centrum Research

Exhibit 14: Map of Kerala

Source: State govt. website

Exhibit 15: FB + CSB combine would be a formidable competitor for SBI + SBT combine

	SBI	SBT	SBI+SBT	FB	CSB	SIB
Kasaragod	4	7	11	5	2	2
Kannur	12	19	31	15	6	6
Wayanad	6	8	14	3	3	3
Kozhikode	26	22	48	21	9	16
Malappuram	13	31	44	30	12	25
Palakkad	27	29	56	17	16	24
Thrissur	30	45	75	32	67	75
Ernakulam	66	61	127	67	39	45
Idukki	12	25	37	16	4	8
Kottayam	18	94	112	34	23	37
Alappuzha	17	53	70	40	12	14
Pathanamthitta	10	51	61	44	20	29
Kollam	11	42	53	28	9	13
Thiruvananthapuram	41	91	132	30	19	17
Total	293	578	871	382	241	314

Source: Company Websites

If the CSB merger goes through; Federal Bank will be second to SBI and SBT combine in the Kerala market. Entry barriers in Kerala too would be high, as only one district in Kerala, Malappuram, is underbanked as per RBI definition. Hence, incremental branch network expansion of this size for any other player is hard to come by. We also expect an overlap between Federal Bank and CSB to the tune of 60-70 branches, which would essentially translate into the relocation of these branches

Such regional market leadership through acquisition is untried in the Indian context, which makes us believe that market leadership with regional understanding in the longer run would bode well for Federal Bank.

Exhibit 16: Voluntary mergers in Indian Banking

Target Name	Announce Date	Acquirer Name	Announced Value (USDmn)	Payment Type
Bank of Punjab	Jun-05	Centurion Bank of Punjab	80.7	Stock
Times Bank	Nov-99	HDFC Bank	50.3	Stock
Bank of Madura	Dec-00	ICICI Bank	73.3	Stock
IDBI Bank	Jan-05	IDBI Bank	167.9	Stock
Centurion Bank of Punjab	Feb-08	HDFC Bank	2,813.3	Stock
ING Vysya Bank	Nov-99	ING Groep NV-CVA	5.7	Cash
United Western Bank	Sep-06	IDBI Bank	32.6	Cash

Source: Bloomberg

Estimate revision

We have raised our earnings estimates by 5.8% and 8.5% for FY10 and FY11, respectively, primarily on account of reduced provisions and higher other income. The higher estimate for other income primarily reflects increased asset processing fees on the back of balance sheet growth and higher recoveries, as the bank aggressively provided for NPAs in the previous quarters. Our reduced NPA provision estimates comes on the back of the bank's cautious strategy over the last few quarters and also on account of the positive signs in the macro-economic scenario. We have marginally reduced our NII estimates owing to reduction in our NIM estimate from 3.5% (FY10E) and 3.6% (FY11E) to 3.3% (FY10 and FY11) and increased our loan growth estimate to 25% from 20% and 24%, respectively.

Exhibit 17: Estimate revision

Particulars (Rsmn)	Revised		Old		Variance (%)	
	FY10E	FY11E	FY10E	FY11E	FY10E	FY10E
Net Interest Income	13,779	16,446	13,995	16,772	(1.5)	(1.9)
Non Interest Income	5,564	6,316	5,202	5,579	6.9	13.2
Total Net Income	193,428	227,627	191,976	223,514	0.8	1.8
Total Operating Expenses	(6,690)	(7,865)	(6,690)	(7,865)	0.0	0.0
Pre-provision Profit	12,652	14,898	12,507	14,486	1.2	2.8
Provisions	(4,901)	(5,902)	(5,179)	(6,326)	(5.4)	(6.7)
Profit before tax	7,751	8,996	7,328	8,160	5.8	10.2
Taxes	(2,713)	(3,148)	(2,565)	(2,856)	5.8	10.2
Net Profit	5,038	5,847	4,763	5,304	5.8	10.2

Source: Centrum research estimates

Diversified financial services interests

Federal Bank has the building blocks required for a regional financial conglomerate. The bank has 26% interest in IDBFI Fortis insurance venture, a promoter stake in United Stock Exchange and has already commenced retail broking in tie-up with BNP Geojit. It also plans to take up a gold financing business. The only areas it lacks in are asset management, investment banking and general insurance businesses.

Exhibit 18: Diversified business interests

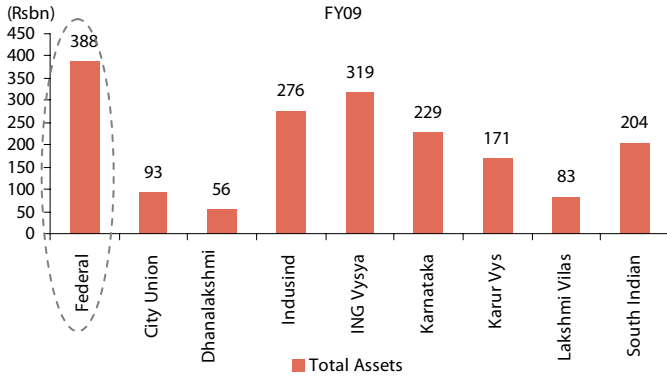
	Federal Bank	Particulars
Bank	√	
Investment Banking		
AMC		
Life Insurance	√	26% in IDBI Fortis Life insurance
Non-Life Insurance		
Retail Broking	√	Tied up with BNP Geojit
Stock Exchange	√	5% stake in United Stock Exchange. In negotiations to increase its stake.
Institutional Broking		
Specialised NBFCs		
HFC		
Gold Loan	Proposed	Proposed
Other investments (%)		
South Indian Bank	5	
Lakshmi Vilas Bank	5	
Catholic Syrian Bank	5	Bank already holds 5% stake in CSB

Source: Company, Centrum Research Estimates

Strong balance sheet and higher profitability

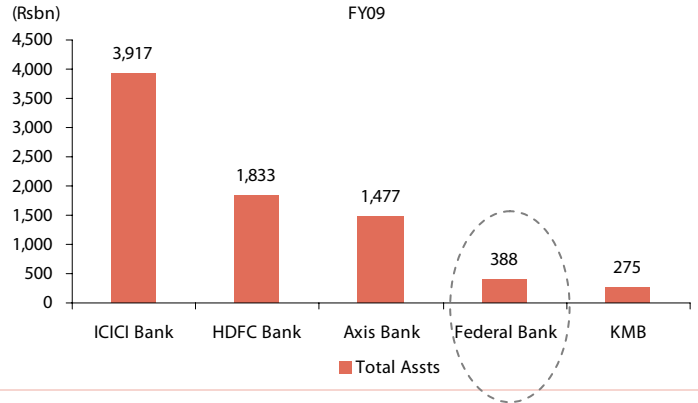
We believe the fundamental strength of Federal Bank's existing franchise has been ignored and does not reflect in the current market price. It is the fourth largest private sector bank, having a strong balance sheet with a high tier 1 capital (17.5%), highest provision coverage (89%), excellent asset quality (NNPAs at 0.29% in FY09) and enjoying high RoA.

Exhibit 19: Largest bank in the old generation space



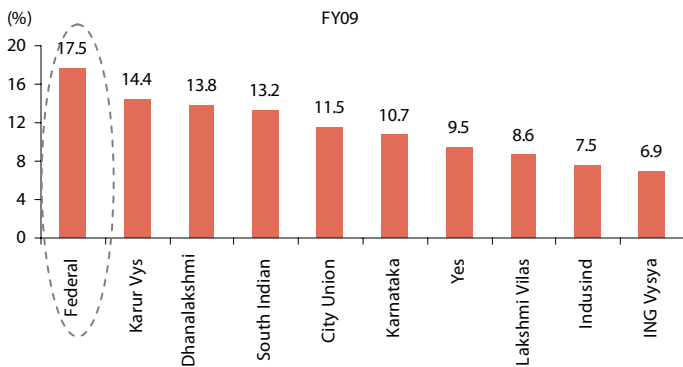
Source: Bloomberg, Centrum Research

Exhibit 20: Fourth largest among private banks



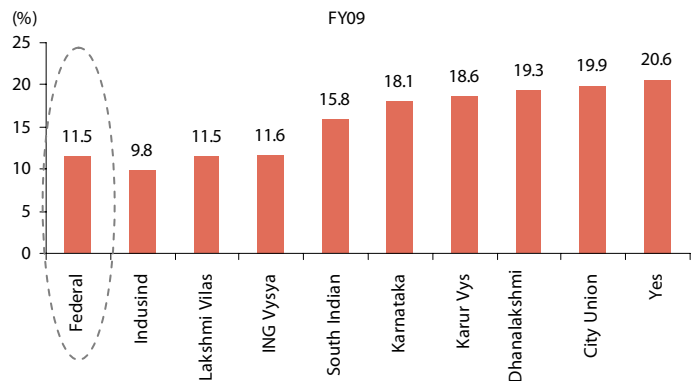
Source: Bloomberg, Centrum Research

Exhibit 21: Highest Tier 1 in FY09....



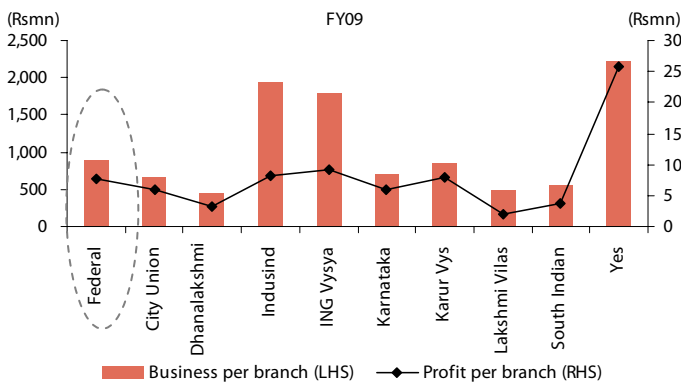
Source: Bloomberg, Centrum Research

Exhibit 22: .. has taken a toll on its RoE



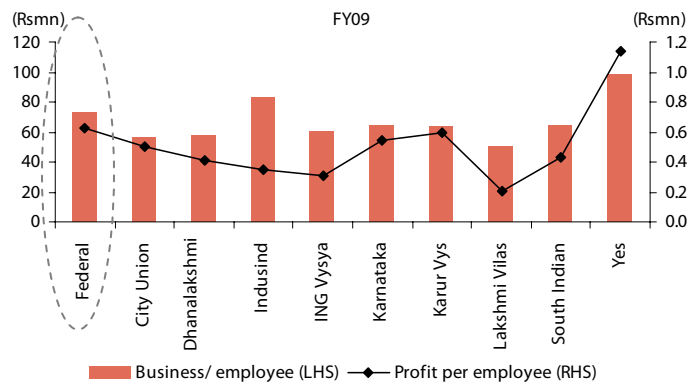
Source: Bloomberg, Centrum Research

Exhibit 23: However, higher branch and...



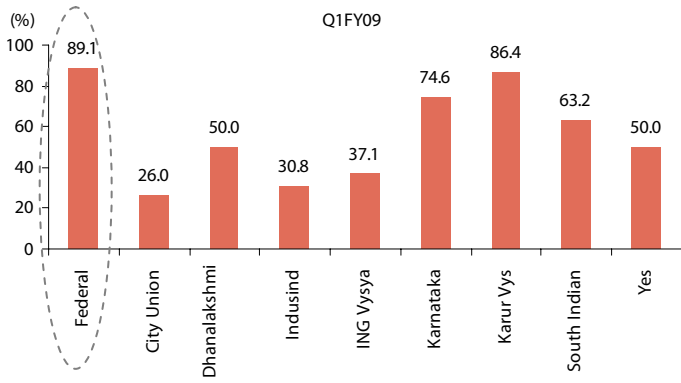
Source: Bloomberg, Centrum Research

Exhibit 24: ...employee productivity ...



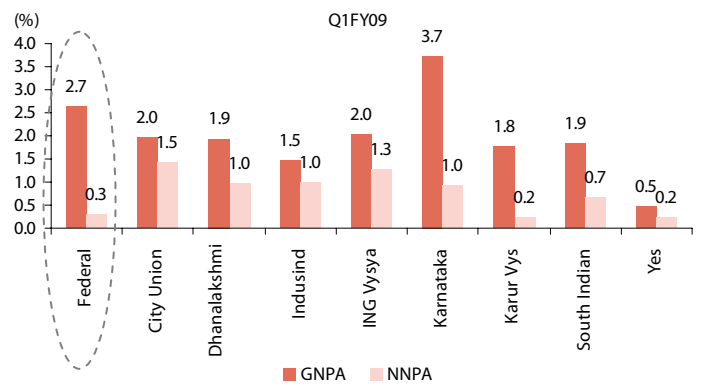
Source: Bloomberg, Centrum Research

Exhibit 25: High provision coverage



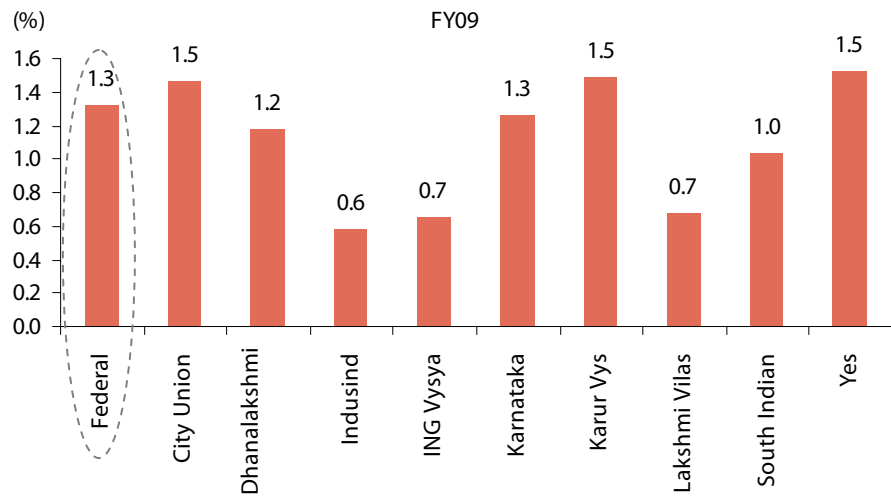
Source: Bloomberg, Centrum Research

Exhibit 26: ...better asset quality



Source: Bloomberg, Centrum Research

Exhibit 27: ... drives superior RoAs



Source: Bloomberg, Centrum Research

Key Risks

Upside risk

Life Insurance venture not valued: We have not valued Federal Bank's 26% stake in IDBI Fortis insurance venture, where it has already infused Rs0.7bn last year and currently enjoys 1% market share in new business premiums. This venture would provide an upside of Rs20, assuming flat NBAP growth, 15% NBAP margin and 15x NBAP multiple in the current year.

Downside risks

Continuous acquisitions in the quest for leadership in South India may not be positively seen by the market.

Cost impact of partly paid-up shares not factored: Currently, CSB has 15.6mn of partly paid-up shares. Of the Rs120/share, Rs25 has been called and we assume the additional capital may not be called for. From a valuation standpoint, additional Rs1.48bn equity would get reflected in CSB's balance sheet and Federal Bank would need to shell out a potential higher amount for the acquisition.

Higher execution risks for inorganic growth: Merger brings with it the imminent execution risks in terms of HR and Federal Bank's ability to improve the productivity of CSB's franchise remains to be seen.

Financials

Exhibit 28: Income Statement

Y/E Mar (Rsmn)	FY07	FY08	FY09	FY10E	FY11E
Interest Income	18,015	25,154	33,154	39,251	47,574
Interest Expense	10,850	16,474	19,999	25,472	31,128
Net Interest Income	7,165	8,680	13,155	13,779	16,446
YoY Growth (%)	19.5	21.1	51.6	4.7	19.4
Non Interest Income	3,026	3,950	5,160	5,564	6,316
YoY Growth (%)	39.5	30.5	30.6	7.8	13.5
Fee Income	828	905	1,010	1,131	1,301
Gains / (Losses) on Securities	500	750	830	1,100	1,100
Others	1,698	2,294	3,320	3,333	3,916
Total Net Income	10,191	12,630	18,315	19,343	22,763
Total Operating Expenses	4,061	4,689	5,722	6,690	7,865
YoY Growth (%)	11.4	15.5	22.0	16.9	17.6
Employee Costs	2,605	2,712	3,175	3,633	4,196
Other Operating Expenses	1,456	1,977	2,548	3,057	3,669
Pre-provision Profit	6,130	7,941	12,593	12,652	14,898
Provisions	2,148	2,940	4,591	4,901	5,902
NPL Provisions	893	1,921	3,379	3,779	4,723
Provisions for Depn on Invest	610	315	236	0	0
Other Provisions	645	704	976	1,123	1,179
Profit Before Tax	3,982	5,001	8,002	7,751	8,996
Taxes	1,055	1,321	2,925	2,713	3,148
Net Profit	2,927	3,680	5,077	5,038	5,847
YoY Growth (%)	30.0	25.7	37.9	(0.8)	16.1

Source: Company, Centrum Research Estimates

Exhibit 29: Balance Sheet

Y/E Mar (Rsmn)	FY07	FY08	FY09	FY10E	FY11E
Cash and balance with RBI	12,315	23,557	22,144	27,212	31,586
Inter-bank borrowings	10,816	3,898	12,227	5,831	7,289
Loans & Advances	148,991	189,047	223,919	279,899	349,873
Investments	70,327	100,266	121,189	136,062	165,218
Total Interest Earning Assets	242,449	316,767	379,479	449,004	553,966
Fixed Assets	1,861	2,328	2,808	2,836	2,836
Other Assets	6,589	5,969	6,221	6,532	7,186
Total Assets	250,899	325,065	388,508	458,372	563,987
Customer Deposits	215,844	259,134	321,980	388,748	485,935
Other Interest Bearing Liab	7,702	7,920	7,489	5,771	9,852
Total Int Bearing Liab	223,546	267,053	329,469	394,519	495,787
Other Non-Int Bearing Liab	12,331	18,755	15,779	17,356	17,356
Total Liabilities	235,877	285,808	345,248	411,876	513,144
Equity	15,022	39,257	43,258	46,496	50,844
Total Liab & Equity	250,899	325,065	388,506	458,372	563,987

Source: Company, Centrum Research Estimates

Exhibit 30: Key Ratios

Y/E Mar	FY07	FY08	FY09	FY10E	FY11E
Balance Sheet Structure Ratios (%)					
Loans / Deposits	69.0	73.0	69.5	72.0	72.0
CASA Ratio	25.2	25.1	24.5	27.0	27.5
Loan Growth	26.9	26.9	18.4	25.0	25.0
Deposit Growth	20.7	20.1	24.3	20.7	25.0
Operating Ratios (%)					
Net Interest Margin (%)	3.5	3.5	4.3	3.3	3.3
Non-Int Inc as % of Total Inc	29.7	31.3	28.2	28.8	27.7
Core fee income Growth	18.4	9.4	11.6	12.0	15.0
Emp Costs as % of Total Op Costs	64.1	57.8	55.5	54.3	53.4
Cost to Income Ratio	39.8	37.1	31.2	34.6	34.6
Operating costs growth	11.4	15.5	22.0	16.9	17.6
Total prov as % avg loans	1.6	1.7	2.2	1.9	1.9
Tax Rate (%)	-	-	-	-	-
Credit Quality Ratios (%)					
Gross NPLs as % of loans	3.0	2.4	2.6	2.5	2.9
NPL Coverage Ratio	85.6	90.8	88.4	79.4	80.6
Net NPLs as % of net loans	0.4	0.2	0.3	0.5	0.6
Capital Adequacy Ratios (%)					
Total CAR (%)	13.4	22.5	20.2	17.0	15.0
Tier 1 Capital ratio (%)	8.9	19.1	17.5	15.6	13.9
Profitability Ratios (%)					
RoE	21.3	13.6	12.3	11.2	12.0
RoA	1.3	1.3	1.4	1.2	1.1
Valuation Ratios					
EPS Reported	28.7	32.4	29.7	29.5	34.2
Adj EPS	17.1	21.5	29.7	29.5	34.2
P/E (x)	14.2	11.3	8.2	8.3	7.1
Adj BV per share	168.1	227.1	249.1	263.5	285.8
P/ Adj BV (x)	1.5	1.1	1.0	0.9	0.9
Dividend Yield	2.5	1.5	2.3	2.3	2.8

Source: Company, Centrum Research Estimates

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