MOTILAL OSWAL

1QFY11 Results Update

SECTOR: BANKING

State Bank of India

STOCK INFO.	BLOOMBERG
BSE Sensex: 18,074	SBIN IN
	REUTERS CODE
S&P CNX: 5,416	SBI.BO

Equity Shares (m)	634.9
52-Week Range (Rs)	2,798/1,670
1,6,12 Rel.Perf.(%)	15/30/43
M.Cap. (Rs b)	1,767.5
M.Cap. (US$ b)	37.8

12 August 2010

Buy

Previous Recommendation:Buy

Rs2,784

YEAR END	NET INCOME (RS M)	PAT (RS M)	EPS (RS)	CONS. EPS (RS)	CONS. P/E (X)*	CONS. P/BV (X)*	CONS. P/ABV (X)*	CAR (%)	ROE (%)	ROA (%)
3/09A	335,639	91,212	143.7	172.6	15.5	2.4	2.7	14.3	17.1	1.1
3/10A	386,396	91,661	144.4	184.8	14.5	2.1	2.4	13.4	14.8	0.9
3/11E	481,413	120,698	190.1	236.2	11.3	1.8	2.0	12.3	17.1	1.1
3/12E	573,343	151,168	238.1	296.7	8.9	1.5	1.7	11.6	18.6	1.1

** Valutaion multiples are adjusted for SBI Life's value*

- SBI's 1QFY11 PAT grew 25% YoY to Rs29.1b (v/s our estimate of Rs24.6b).
- Margins improved sharply by 22bp QoQ and 88bp YoY to 3.18%, led by increase in CD ratio, reduction in excess liquidity, stable CASA ratio QoQ, and reduction in cost of deposits despite the impact of 10bp due to change in interest computation methodology for savings deposits.
- While overall deposits grew 7% YoY, growth in savings deposits was higher at 34% YoY (11% QoQ). Reported CASA ratio was up 84bp QoQ and 906bp YoY to 47.5%, among the highest in the industry.
- Core fee income grew 29.4% YoY in a scenario where other banks have shown growth in the range of 15-20%.
- In absolute terms, GNPA increased 7% QoQ to Rs208.3b (lower than the 11-12% increase witnessed by other large state-owned banks) and NNPA increased 2% QoQ. PCR including technical write-off was 60.7%.
- Slippages during 1QFY11 were at Rs40.8b (annualized slippage ratio of 2.6%) were higher compared to Rs25b in 4QFY10. But this includes recognition of Rs5.7b under agri-debt relief scheme as NPA.
- The parliament has cleared the SBI Amendment Act wherein (1) GoI shareholding can decline to 51% v/s the earlier mandated 55% (current shareholding: 59.4%), and (2) SBI will be allowed to issue bonus/preference shares.

Valuation and view: SBI is likely to achieve the highest core operating profit growth among state-owned banks in FY11, with (1) margin expansion of ~45bp, (2) loan and fee income growth of 20%+, and (3) high operating leverage. We retain SBI as our top bet in the sector to play the strong growth in earnings and improvement in RoE. We maintain **Buy**, with a revised target price of Rs3,225 (1.8x FY12E BV + Rs140/share for Insurance) - an upside of 16%.

QUARTERLY PERFORMANCE (RS MILLION)

	FY10				FY11				FY10	FY11E
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	174,728	177,759	177,797	179,656	184,521	195,825	215,060	235,571	709,939	830,977
Interest Expense	124,479	121,671	114,634	112,442	111,484	119,363	133,159	148,836	473,225	512,842
Net Interest Income	**50,249**	**56,088**	**63,163**	**67,214**	**73,037**	**76,462**	**81,901**	**86,734**	**236,714**	**318,134**
% Change (Y-o-Y)	*4.3*	*2.8*	*9.7*	*38.8*	*45.4*	*36.3*	*29.7*	*29.0*	*13.4*	*34.4*
Other Income	35,688	35,252	33,657	45,085	36,900	37,104	37,444	51,830	149,682	163,278
Net Income	**85,936**	**91,340**	**96,820**	**112,300**	**109,937**	**113,566**	**119,346**	**138,564**	**386,396**	**481,413**
Operating Expenses	49,198	42,990	50,639	60,361	48,593	50,755	57,748	70,380	203,187	227,476
Operating Profit	**36,739**	**48,350**	**46,181**	**51,939**	**61,344**	**62,811**	**61,598**	**68,184**	**183,209**	**253,937**
% Change (Y-o-Y)	*-7.3*	*15.3*	*3.0*	*-1.6*	*67.0*	*29.9*	*33.4*	*31.3*	*2.3*	*38.6*
Other Provisions	1,727	10,161	8,566	23,494	15,514	17,950	16,450	21,147	43,948	71,061
Profit before Tax	**35,011**	**38,190**	**37,615**	**28,445**	**45,830**	**44,861**	**45,148**	**47,037**	**139,261**	**182,876**
Tax Provisions	11,708	13,289	12,825	9,779	16,688	14,804	14,899	15,787	47,600	62,178
Net Profit	**23,304**	**24,900**	**24,791**	**18,666**	**29,142**	**30,057**	**30,249**	**31,250**	**91,661**	**120,698**
% Change (Y-o-Y)	*42.0*	*10.2*	*0.0*	*-31.9*	*25.1*	*20.7*	*22.0*	*67.4*	*0.5*	*31.7*
Interest Exp/Interest Income (%)	*71.2*	*68.4*	*64.5*	*62.6*	*60.4*	*61.0*	*61.9*	*63.2*	*66.7*	*61.7*
Other Income/Net Income (%)	*41.5*	*38.6*	*34.8*	*40.1*	*33.6*	*32.7*	*31.4*	*37.4*	*38.7*	*33.9*
Cost/Income Ratio (%)	*57.2*	*47.1*	*52.3*	*53.7*	*44.2*	*44.7*	*48.4*	*50.8*	*52.6*	*47.3*
Provisions/Operating Profits (%)	*4.7*	*21.0*	*18.5*	*45.2*	*25.3*	*28.6*	*26.7*	*31.0*	*24.0*	*28.0*
Tax Rate (%)	*33.4*	*34.8*	*34.1*	*34.4*	*36.4*	*33.0*	*33.0*	*33.6*	*34.2*	*34.0*

E: MOSL Estimates

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RESULTS ANALYSIS (RS M)

	1QFY11	1QFY10	YOY GR. %	4QFY10	QOQ GR. %	FY10	FY11E	FY12E
Interest Income	184,522	174,728	6	179,656	3	709,939	830,977	1,012,879
Interest Expense	111,484	124,479	-10	112,442	-1	473,225	512,842	633,117
Net Interest Income (NII)	**73,038**	**50,249**	**45**	**67,214**	**9**	**236,714**	**318,134**	**379,762**
Other Income	36,900	35,688	3	45,085	-18	149,682	163,278	193,581
- Fees and others	35,166	28,599	23	43,191	-19	128,514	156,278	185,581
- Treasury Income	1,734	7,088	-76	1,895	-8	21,168	7,000	8,000
Net Income	**109,938**	**85,936**	**28**	**112,299**	**-2**	**386,396**	**481,413**	**573,343**
Total Operating Costs	48,593	49,198	-1	60,361	-19	203,187	227,476	250,505
- Staff Costs	30,739	34,113	-10	35,918	-14	127,546	140,490	146,121
- Other Opex	17,854	15,085	18	24,443	-27	75,640	86,986	104,384
Operating Profit	**61,345**	**36,739**	**67**	**51,939**	**18**	**183,209**	**253,937**	**322,838**
Provisions	15,514	1,727	798	23,494	-34	43,948	71,061	90,272
- NPAs	17,334	12,342	40	21,868	-21	46,223	66,635	80,563
- Others	(1,820)	(10,615)	-83	1,626	-212	(2,275)	4,426	9,709
PBT	**45,831**	**35,011**	**31**	**28,445**	**61**	**139,261**	**182,876**	**232,566**
Tax	16,688	11,708	43	9,779	71	47,600	62,178	81,398
Tax payout %	36	33		34		34	34	35
PAT	**29,143**	**23,304**	**25**	**18,666**	**56**	**91,661**	**120,698**	**151,168**
Deposits	**8,152,970**	**7,635,630**	**7**	**8,041,160**	**1**	**8,041,162**	**9,488,571**	**11,196,514**
CASA Ratio %	**48**	**38**		**47**		**47**	**47**	**46**
Net Loans	**6,532,200**	**5,428,770**	**20**	**6,319,140**	**3**	**6,319,142**	**7,709,353**	**9,251,223**
Gross NPA (Rs B)	**208.3**	**153.2**	**36**	**195.3**	**7**	**195.3**	**250.1**	**289.8**
Gross NPA %	**3.1**	**2.8**		**3.1**		**3.0**	**3.2**	**3.1**
Net NPA (Rs B)	**110.7**	**84.0**	**32**	**108.7**	**2**	**108.7**	**112.5**	
Net NPA %	**1.7**	**1.6**		**1.7**		**1.7**	**1.5**	**1.2**
Yields on Advances %*	8.4	9.1		8.4		8.6	8.8	9.1
Cost of deposits %*	5.0	6.1		5.2		5.6	5.3	5.6
NIM %**	**3.2**	**2.3**		**2.7**		**2.6**	**3.1**	**3.1**
Tier I CAR %	9.8	9.7		9.5		9.5	9.0	8.6
Tier II CAR %	3.8	4.4		3.9		3.9	3.4	3.0

** Calculated, ** reported on cumulative basis, full years nos calculated*

NII growth higher than expected; sharp improvement in NIMs

Margins improved by a sharp 22bp QoQ and 88bp YoY to 3.18%, led by the following:

- Increase in C-D ratio (up 285bp QoQ)
- Reduction in excess liquidity in the balance sheet (Rs281b v/s Rs441b in 4QFY10)
- Stable CASA ratio QoQ
- Reduction in cost of deposits (estimated QoQ decline of 25bp), despite the impact of 10bp due to change in interest computation methodology for savings deposits

Yield on loans was 9.3% v/s 10.01% in 1QFY10 and 9.66% for FY10. On a QoQ basis, yield on loans has been largely stable. Cost of deposits declined to 5.27% v/s 6.16% in 1QFY10 and 5.8% for FY10. Cost of deposits (our calculation) has declined 25bp QoQ.

Management guides NIM sustenance at 3.2% in FY11

High cost retail deposits taken in FY08-09 will come up for repricing over the next few quarters at 150-200bp lower rate. This coupled with higher CASA deposits would keep cost of deposits under control. The management has guided that NIMs will remain robust at around current levels for FY11. We have modeled 45bp margin improvement (v/s management guidance of 55bp improvement). NII growth should be at least 35% in FY11, which provides significant cushion for higher credit costs and growth in profits.

Loan growth in line with industry average, C-D ratio improves QoQ

Loans grew 20.3% YoY while deposits increased just 7% YoY. Utilization of excess liquidity in the balance sheet and retirement of bulk deposits resulted in C-D ratio expanding to 81.4% v/s 78.6% at the end of 4QFY10. On domestic operations, C-D ratio was 74.9% v/s 73.6% a quarter ago. Savings deposits grew 34% YoY (11% QoQ) and CASA grew 32.8% YoY (3% QoQ). Reported CASA ratio improved 84bp QoQ and 906bp YoY to 47.5%. We expect SBI to maintain its CASA ratio at ~47%, as overall deposit growth (18%) is expected to be in line with CASA growth of 17-18%.

Correction in excess liquidity continues

Excess liquidity in the balance sheet is down to Rs280.8b v/s Rs441b at the end of 4QFY10. The bank is correcting surplus liquidity by repaying bulk deposits (down 51% YoY to Rs737.5b).

Non-interest income (ex-treasury) has grown 23% YoY

Non-interest income (ex-treasury) grew 23% YoY to Rs35.2b; however, core fee income growth was higher at 29.4% YoY. Trading profits were Rs1.7b v/s Rs7.1b in 1QFY10 and Rs1.9b in 4QFY10. SBI's efforts to diversify its fee-based revenue have yielded results, as evident from the high growth witnessed in FY10 and again in 1QFY11. We believe the momentum in core fee income growth would continue. We have modeled fee income growth of 23% v/s loan growth of 20% in FY11.

Cost-to-core-income ratio declines to 45%

Cost-to-core-income ratio declined to 45% v/s 55% in 4QFY10 - a positive surprise. Employee expenses declined 10% YoY and 14% QoQ. SBI provided Rs11b towards increase in gratuity expenses (total liability of Rs22b) while there was a reversal of Rs8.5b, being excess provision towards wage arrears. In 1QFY10, employee expenses included additional provision of Rs10.6b towards wage hike and pension liability.

Absence of one-offs and management thrust to contain operating expenses would keep cost-to-income ratio low. We estimate cost-to-core-income (ex trading profits) ratio for FY11 at 48%, lower compared to 56% in FY10. We have factored in opex growth of 12% in our earnings estimates.

GNPA increase of 7% QoQ is lower than peers

In absolute terms, reported GNPAs increased 7% QoQ to Rs208.3b (ratio at 3.14%) and NNPAs increased 2% QoQ to Rs110.7b (ratio at 1.7%). Percentage increase in GNPAs has been lower than the other large state-owned banks like PNB and BoB. Calculated PCR increased to 47% from 44% at the end of 4QFY10. Including technical write-offs, coverage ratio stood at 60.7% v/s 59.2% in 4QFY10. The management intends to increase coverage ratio by 1-2% every quarter till it reaches the prescribed limit (it has got extension till September 2011 to meet the requirement). The shortfall to meet the prescribed limit is Rs28b.

While slippages were higher, upgradations were equally strong

Slippages during the quarter were Rs40.8b (slippage ratio of 2.6%), higher compared to 4QFY10 slippages of Rs25b. Deductions by way of upgradations and recoveries were also higher at Rs21.6b v/s Rs10.7b in 4QFY10. During the quarter, SBI wrote off assets worth Rs6.3b as against Rs7.6b in 4QFY10. Total standard restructured assets stood at ~Rs270b (4.1% of loan book). Of the Rs168b assets restructured under RBI scheme, assets worth Rs17.8b have so far slipped to NPAs (10.6% of assets restructured under RBI scheme) and, of this, Rs1.6b have slipped in 1QFY11.

While higher gross slippage ratio is concerning, we believe recognition of agri-debt relief amount as NPAs, lower slippages from restructured accounts and improving macro-economic scenario would help sustain healthy asset quality. Further, with SBI having got the extension to reach 70% PCR by September 2011, incremental provisions would be well spread and help smoothen the profitability. In our view, strong improvement in economic environment can throw positive surprises for slippage ratio and credit cost.

Consolidated PAT up 22% YoY, led by robust core performance

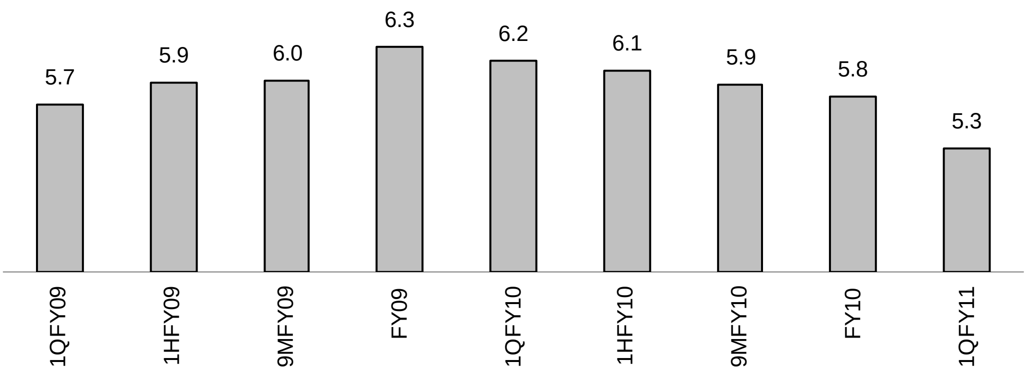
For 1QFY11, consolidated NII grew 45% YoY (7% QoQ) to Rs103.5b whereas other income declined 24% YoY (34% QoQ) to Rs65b. Opex declined 19% YoY to Rs122.4b. SBI's subsidiaries reported operating profit growth of 48% YoY, led by strong NII growth of 55% (on a lower base). However, PAT was flat YoY, as provisions due to stress on asset quality led to pressure on earnings. Provisions for 1QFY11 were Rs25.1b v/s Rs30.7b in 4QFY10. Provisioning requirements will remain high in consolidated numbers, as subsidiaries will have to comply with 70% PCR deadline by September 2010. Including technical write-offs, consolidated PCR stands at 66%. Consolidated PAT increased 22% v/s SBI standalone PAT increase of 25%. SBI Life reported PAT of Rs1.1b in 1QFY11 v/s Rs390m in 1QFY10 and Rs2.8b for the full-year FY10.

Maintain Buy, with a target price of Rs3,225

SBI is likely to achieve the highest core operating profit growth among state-owned banks in FY11, with (1) margin expansion of ~45bp, (2) loan and fee income growth of 20%+, and (3) high operating leverage. Strong core operating profit growth provides significant cushion for higher credit costs and growth in profits despite lower trading gains. On the back of strong core operating profit CAGR of 42%, we expect PAT CAGR of 28% over FY10-12. We have assumed credit cost of 95bp over FY11-12 v/s average of 60bp over FY07-10. Adjusted for Life Insurance valuation, SBI trades at 1.5x FY12E consolidated BV of Rs1,707 and 8.9x FY12E consolidated EPS of Rs297. RoE will be 18.6% in FY12. We retain SBI as our top bet in the sector to play the strong growth in earnings and improvement in RoE. We maintain **Buy,** with a revised target price of Rs3,225 (1.8x FY12E consolidated BV + Rs140/share for Insurance) - an upside of 16%.

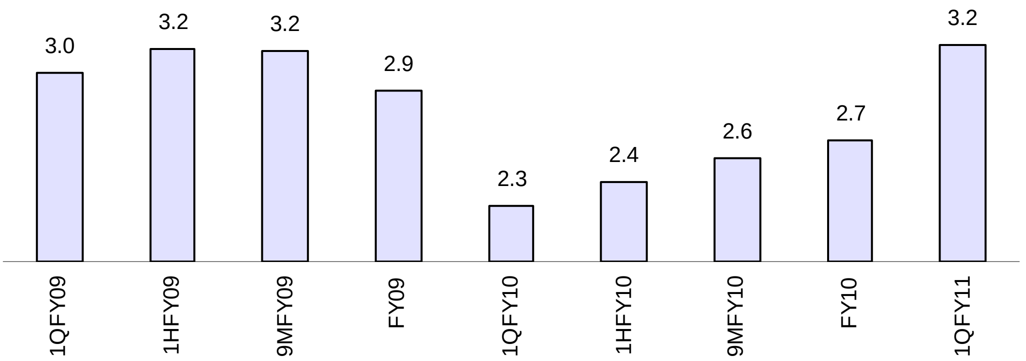
Decline in cost of deposits led by strong CASA growth and shedding of bulk deposits

TREND IN COST OF DEPOSITS

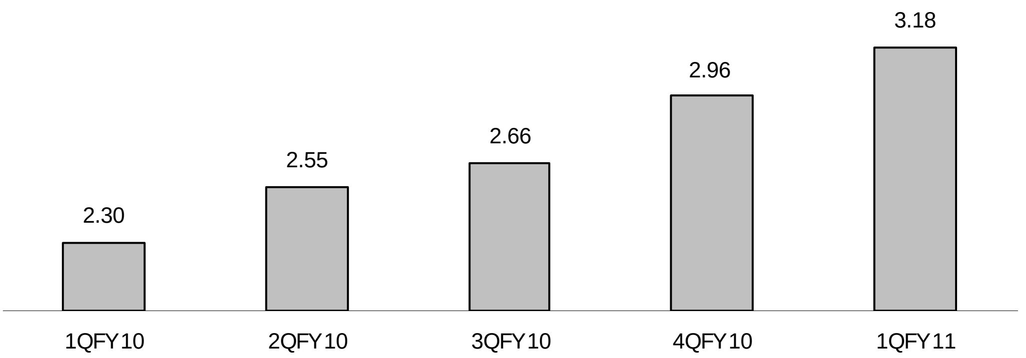


Strong improvement in margins led by fall in cost of deposits and improving CD ratio

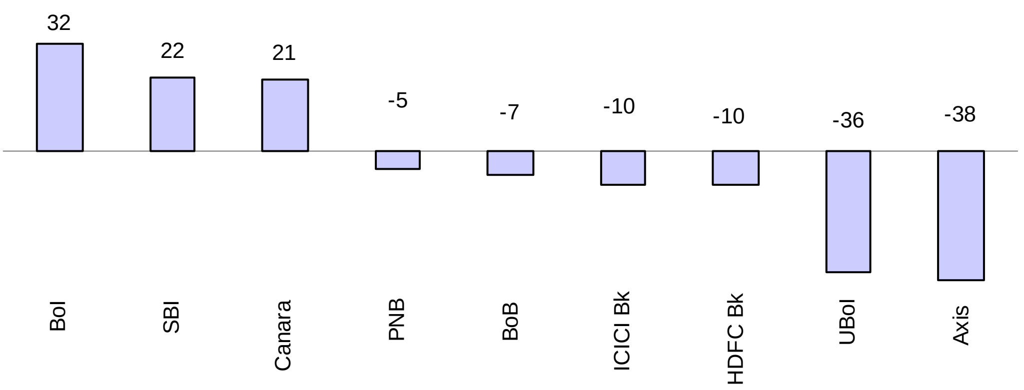
TREND IN MARGINS (CUMULATIVE) (%)



TREND IN MARGINS (QUARTERLY) (%)



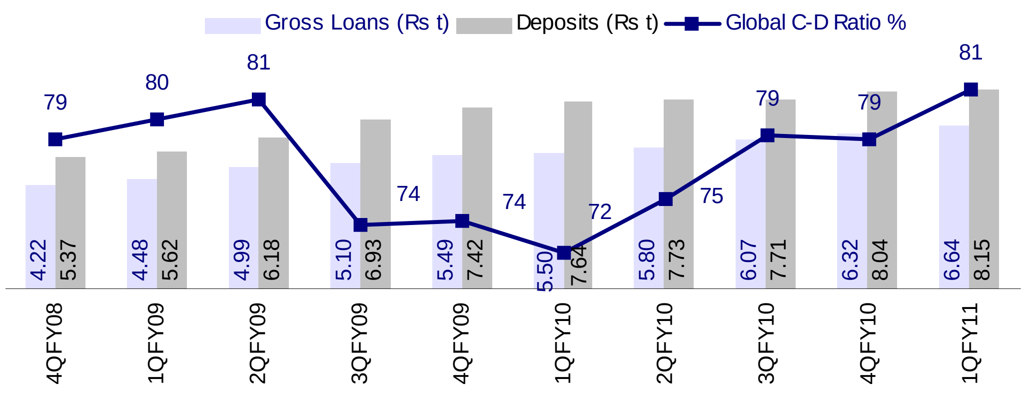
BEST MARGIN PERFORMANCE AMONGST PEERS (NIM CHG QOQ, BP)



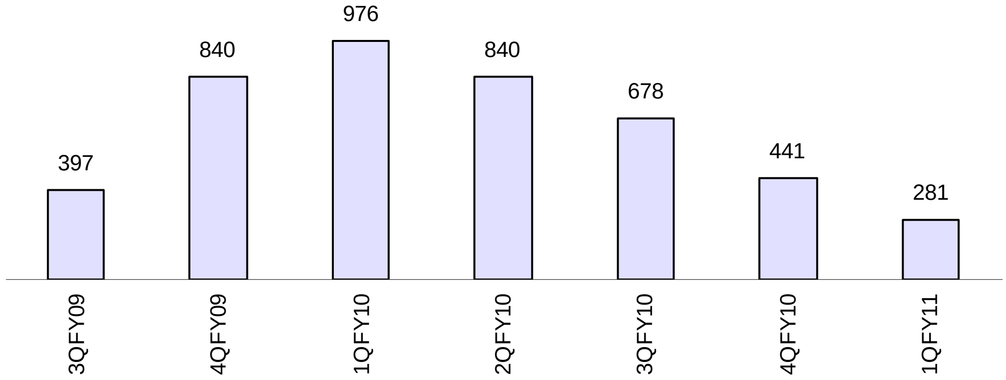
Source: Company/MOSL

Shedding bulk deposits and focusing on strong loan growth; loans up 20% YoY, deposits up 7% YoY

LOAN AND DEPOSIT TRENDS (RS B)

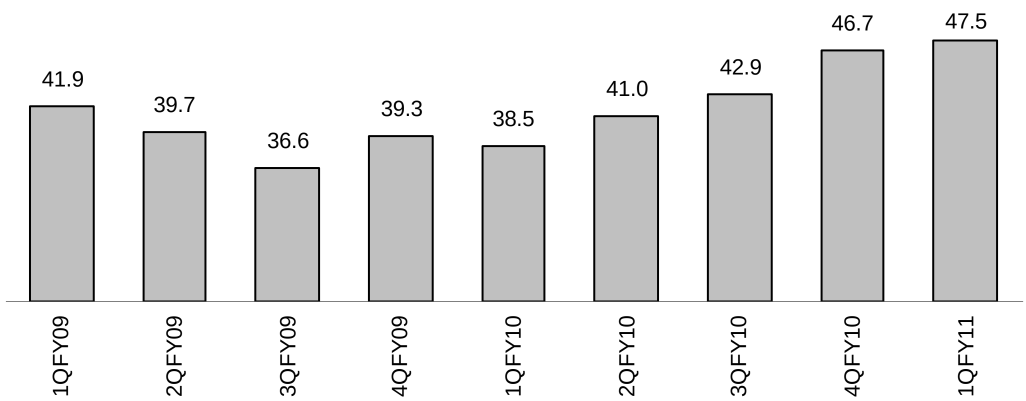


EXCESS LIQUIDITY IN BALANCE SHEET DECLINES (RS B)



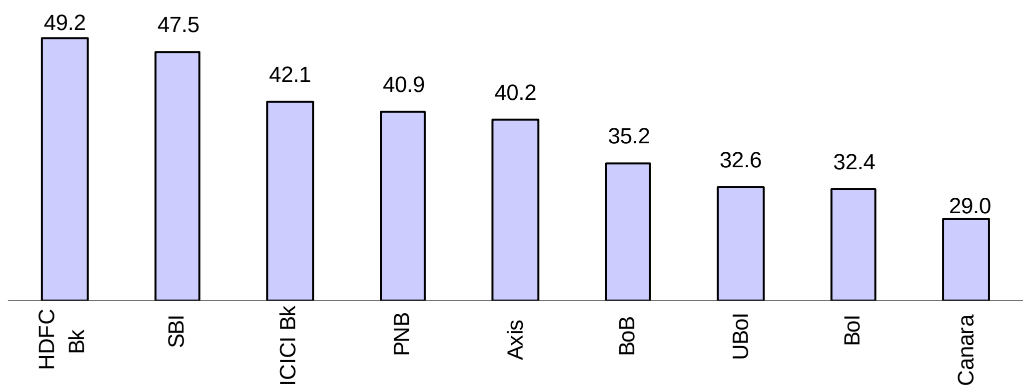
Strong CASA deposit base and sustained growth (savings accounts growth of 34% YoY) keeps cost of funds under control

TREND IN CASA RATIO (%)



CASA ratio next best after HDFC Bank

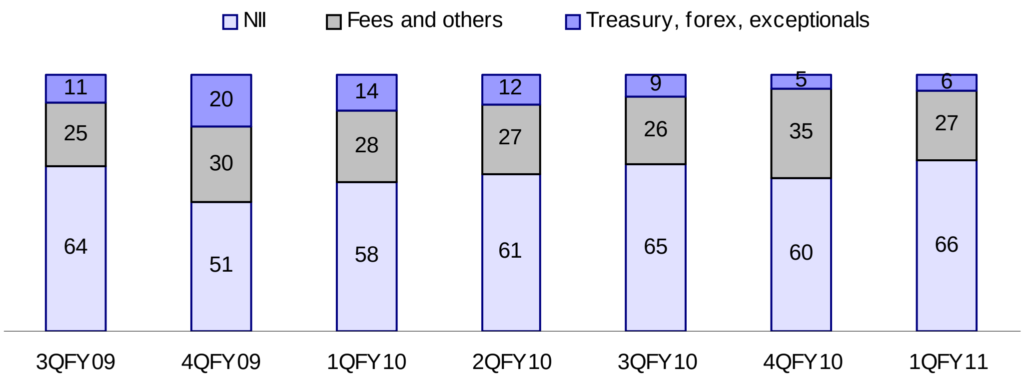
CASA COMPARISON WITH PEERS (%)



Source: Company/MOSL

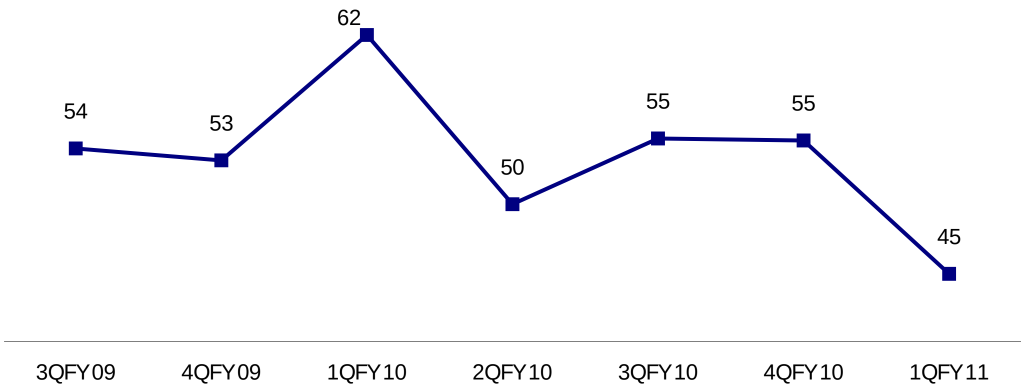
TREND IN INCOME COMPOSITION (%)

Contribution from core income improved



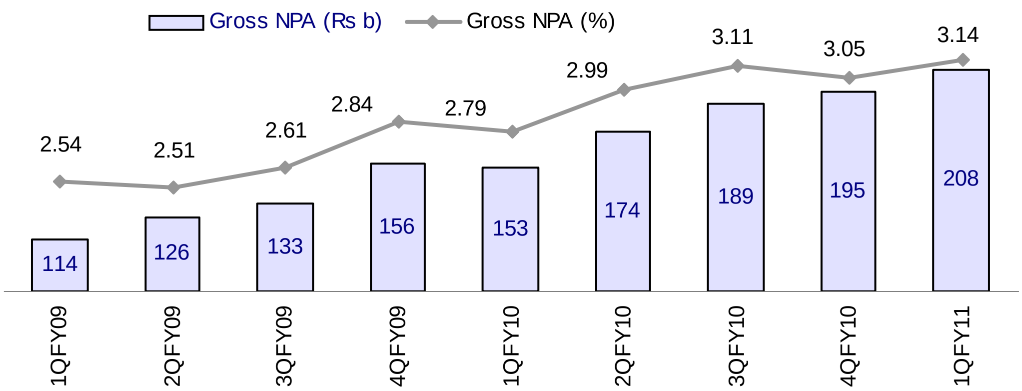
CORE COST TO INCOME (%)

Cost to income ratio declined to 44% from 54% in 4QFY10 - a positive surprise



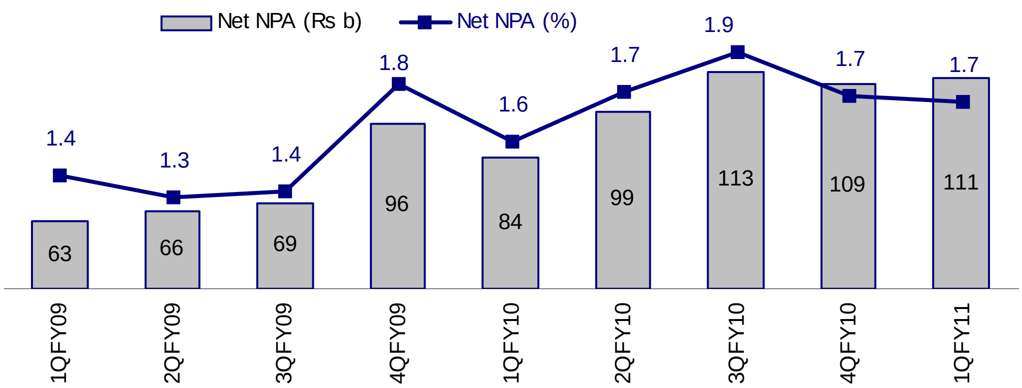
TREND IN GROSS NPAS

Slippages during the quarter were Rs40.8b (annualized slippage ratio of 2.6%) and include recognition of Rs5.7b under agri-debt relief scheme



TREND IN NET NPAS

Improvement in PCR leading to flat NNPA despite rise in GNPA



Source: Company/MOSL

State Bank of India: an investment profile

Company description

State Bank of India (SBI) is India's largest commercial bank, with a balance sheet size of over ~Rs10.5t and GoI ownership of 59.4%. The bank, along with associate banks, has a network of over 16,000 branches across India and controls over 24% of the banking business. SBI has improved itself through technological upgradation, manpower skill honing and business process re-engineering to be competitive and efficient for next growth opportunity. SBI has been focusing on drawing significant synergies through internal consolidation of its associate banks.

Key investment arguments

- Proxy to Indian economy; will benefit from India's economic growth.
- Strong CASA ratio and improvement in loan growth will help to improve/maintain margins.
- Demonstrating strong performance on fee income; expects to maintain the strong traction
- Strong operating leverage; cost-to-core income ratio to decline sharply in FY11-12. Higher retirements will pull down average operating costs.

Key investment risks

- Management's focus on increasing market share may come at the cost of profitability.
- NPAs have been rising over few quarters and coverage ratio continues to be below industry average.

Recent developments

- Parliament has cleared SBI Amendment Act wherein (1) GOI shareholding can go down to 51% v/s earlier mandated 55% (current shareholding is 59.4%), and (2) SBI will be allowed to issue bonus shares or preference shares.

Valuation and view

- SBI is likely to achieve the highest core operating profit growth among state-owned banks in FY11, with (1) margin expansion of ~45bp, (2) loan and fee income growth of 20%+, and (3) high operating leverage.
- We retain SBI as our top bet in the sector to play the strong growth in earnings and improvement in RoE. We maintain **Buy**.

Sector view

- In FY10, loans and deposits grew 17%. We expect loan growth of 20% in FY11 with an upward bias. Deposit growth will be calibrated with loan growth.
- We factor in a 15-20bp improvement in blended margins, led by improving yield on assets and higher CASA ratio.
- Our concern over asset quality is diminishing with the improvement in economic activity.
- We prefer banks with a strong core deposit franchise, higher tier-I capital and high provision coverage ratio.

COMPARATIVE VALUATIONS

		SBI (CONS)	PNB	BOB
P/E (x)	FY11E	11.3	8.0	7.9
	FY12E	8.9	6.8	6.5
P/BV (x)	FY11E	1.8	1.8	1.7
	FY12E	1.5	1.5	1.4
P/ABV (x)	FY11E	2.0	1.9	1.7
	FY12E	1.7	1.6	1.4
RoE (%)	FY11E	17.1	25.0	23.3
	FY12E	18.6	24.3	23.3
RoA (%)	FY11E	1.1	1.4	1.2
	FY12E	1.1	1.4	1.2

SBI P/E amd P/BV are on consolidated basis adjusted for value of SBI Life at Rs140/share

SHAREHOLDING PATTERN (%)

	JUN-10	MAR-10	JUN-09
Promoter	59.4	59.4	59.4
Domestic Inst	17.2	17.5	15.7
Foreign	14.9	13.8	13.2
Others	8.5	9.3	11.6

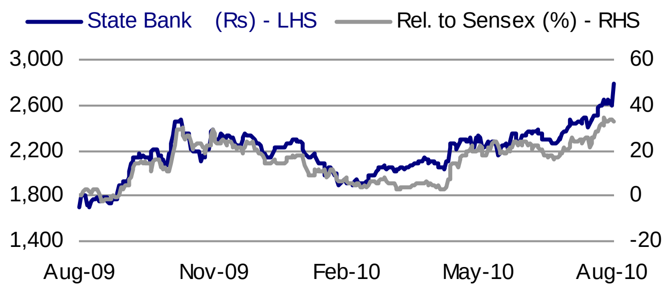
EPS (STANDALONE): MOST FORECAST V/S CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY11	190.1	180.6	5.2
FY12	238.1	232.5	2.4

TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
2,784	3,225	15.8	Buy

STOCK PERFORMANCE (1 YEAR)



Financials and Valuation

INCOME STATEMENT (Standalone)						(RS MILLION)
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
Interest Income	372,423	489,503	637,884	709,939	830,977	1,012,879
Interest Expense	221,841	319,291	429,153	473,225	512,842	633,117
Net Interest Income	**150,582**	**170,212**	**208,731**	**236,714**	**318,134**	**379,762**
Change (%)	*-3.7*	*13.0*	*22.6*	*13.4*	*34.4*	*19.4*
Non Interest Income	**67,653**	**86,949**	**126,908**	**149,682**	**163,278**	**193,581**
Net Income	**218,234**	**257,162**	**335,639**	**386,396**	**481,413**	**573,343**
Change (%)	*-5.2*	*17.8*	*30.5*	*15.1*	*24.6*	*19.1*
Operating Expenses	118,235	126,086	156,487	203,187	227,476	250,505
Pre Provision Profits	**99,999**	**131,076**	**179,152**	**183,209**	**253,937**	**322,838**
Change (%)	*-11.5*	*31.1*	*36.7*	*2.3*	*38.6*	*27.1*
Provisions (excl tax)	24,096	26,687	37,346	43,948	71,061	90,272
PBT	**75,903**	**104,389**	**141,807**	**139,261**	**182,876**	**232,566**
Tax	30,490	37,098	50,594	47,600	62,178	81,398
Tax Rate (%)	*40.2*	*35.5*	*35.7*	*34.2*	*34.0*	*35.0*
PAT	**45,413**	**67,291**	**91,212**	**91,661**	**120,698**	**151,168**
Change (%)	*3.1*	*48.2*	*35.5*	*0.5*	*31.7*	*25.2*
Equity Dividend (Incl tax)	7,368	13,577	18,412	19,046	22,221	28,570
Core PPP*	**84,601**	**105,887**	**144,599**	**152,051**	**236,937**	**304,838**
Change (%)	*-12.8*	*25.2*	*36.6*	*5.2*	*55.8*	*28.7*

**Core PPP is (NII+Fee income-Opex)*

BALANCE SHEET						(RS MILLION)
Y/E MARCH	2007	2008	2009	2010	2011E	2012E
Equity Share Capital	5,263	6,315	6,349	6,349	6,349	6,349
Reserves & Surplus	307,722	484,012	573,128	653,143	747,843	865,584
Net Worth	**312,985**	**490,327**	**579,477**	**659,492**	**754,191**	**871,933**
Deposits	**4,355,211**	**5,374,050**	**7,420,731**	**8,041,162**	**9,488,571**	**11,196,514**
Change (%)	*14.6*	*23.4*	*38.1*	*8.4*	*18.0*	*18.0*
of which CASA Dep	**2,111,345**	**2,523,639**	**3,089,778**	**3,800,397**	**4,437,897**	**5,190,639**
Change (%)	*16.8*	*19.5*	*22.4*	*23.0*	*16.8*	*17.0*
Borrowings	558,728	730,168	840,579	1,030,116	1,117,874	1,223,879
Other Liabilities & Prov.	441,138	620,731	803,534	803,368	1,006,187	1,259,326
Total Liabilities	**5,668,062**	**7,215,274**	**9,644,321**	**10,534,137**	**12,366,824**	**14,551,651**
Current Assets	519,687	674,663	1,044,038	961,838	1,079,136	1,209,787
Investments	**1,491,489**	**1,895,013**	**2,759,540**	**2,857,901**	**3,143,691**	**3,615,244**
Change (%)	*-8.2*	*27.1*	*45.6*	*3.6*	*10.0*	*15.0*
Loans	**3,373,365**	**4,167,682**	**5,425,032**	**6,319,142**	**7,709,353**	**9,251,223**
Change (%)	*28.9*	*23.5*	*30.2*	*16.5*	*22.0*	*20.0*
Fixed Assets	28,189	33,735	38,378	44,129	48,403	50,533
Other Assets	255,332	444,181	377,333	351,128	386,240	424,864
Total Assets	**5,668,062**	**7,215,274**	**9,644,321**	**10,534,137**	**12,366,824**	**14,551,651**

ASSET QUALITY						(%)
GNPA (Rs M)	99,982	128,373	157,140	195,349	250,057	289,841
NNPA (Rs M)	52,577	74,243	96,774	108,702	112,526	108,690
GNPA Ratio	2.92	3.04	2.86	3.05	3.19	3.07
NNPA Ratio	1.56	1.78	1.78	1.72	1.46	1.17
Slippage Ratio	1.90	2.34	2.67	2.18	2.41	2.30
Credit Cost	0.48	0.53	0.52	0.79	0.95	0.95
PCR (Excl Tech. write off)	47.4	42.2	38.4	44.4	55.0	62.5
PCR (Incl Tech. Write off)	0.0	0.0	57.0	59.2	65.4	70.2

E: MOSL Estimates

Financials and Valuation

RATIOS						
Y/E MARCH	**2007**	**2008**	**2009**	**2010**	**2011E**	**2012E**
Spreads Analysis (%)						
Avg. Yield-Earning Assets	**7.4**	**8.7**	**8.6**	**7.8**	**8.0**	**8.3**
Avg. Yield on loans	8.3	9.3	9.7	8.6	8.8	9.1
Avg. Yield on Investments	6.7	7.1	6.7	6.3	6.5	6.5
Avg. Cost-Int. Bear. Liab.	**4.9**	**5.8**	**6.0**	**5.5**	**5.2**	**5.5**
Avg. Cost of Deposits	4.6	5.6	5.9	5.6	5.3	5.6
Interest Spread	**2.5**	**2.9**	**2.6**	**2.3**	**2.8**	**2.8**
Net Interest Margin	**3.0**	**3.0**	**2.8**	**2.6**	**3.1**	**3.1**
Profitability Ratios (%)						
RoE	15.4	16.8	17.1	14.8	17.1	18.6
RoA	0.9	1.0	1.1	0.9	1.1	1.1
Int. Expense/Int.Income	59.6	65.2	67.3	66.7	61.7	62.5
Fee Income/Net Income	23.5	25.7	26.2	29.1	28.8	29.0
Non Int. Inc./Net Income	31.0	33.8	37.8	38.7	33.9	33.8
Efficiency Ratios (%)						
Cost/Income*	55.6	52.4	50.5	55.6	47.9	44.3
Empl. Cost/Op. Exps.	67.1	61.8	62.3	62.8	61.8	58.3
Busi. per Empl. (Rs m)	36.8	47.4	58.1	67.0	77.3	89.5
NP per Empl. (Rs lac)	2.4	3.7	4.7	4.5	5.9	7.2
* ex treasury						
Asset-Liability Profile (%)						
Loans/Deposit Ratio	77.5	77.6	73.1	78.6	81.2	82.6
CASA Ratio	48.5	47.0	41.6	47.3	46.8	46.4
Investment/Deposit Ratio	34.2	35.3	37.2	35.5	33.1	32.3
G-Sec/Investment Ratio	81.5	75.7	82.7	79.7	80.3	79.4
CAR	12.3	13.0	14.3	13.4	12.3	11.6
Tier 1	*8.0*	*8.5*	*9.4*	*9.5*	*9.0*	*8.6*

VALUATION						
Book Value (Rs)	595	776	913	1,039	1,188	1,373
BV Growth (%)	*13.2*	*30.6*	*17.5*	*13.8*	*14.4*	*15.6*
Price-BV (x)	4.7	3.6	3.1	2.7	2.3	2.0
Concol BV (Rs)	776	938	1,105	1,268	1,463	1,707
BV Growth (%)	*14.2*	*20.8*	*17.9*	*14.7*	*15.4*	*16.7*
Price-Consol BV (x)	3.4	2.9	2.4	2.1	1.8	1.5
Adjusted BV (Rs)	530	700	814	927	1,073	1,262
Price-ABV (x)	5.3	4.0	3.4	3.0	2.6	2.2
Adjusted Consol BV	698	846	996	1,127	1,312	1,561
Price-Consol ABV (x)	3.8	3.2	2.7	2.4	2.0	1.7
EPS (Rs)	86.3	106.6	143.7	144.4	190.1	238.1
EPS Growth (%)	*3.1*	*23.5*	*34.8*	*0.5*	*31.7*	*25.2*
Price-Earnings (x)	32.3	26.1	19.4	19.3	14.6	11.7
Consol EPS (Rs)	120.9	141.9	172.6	184.8	236.2	296.7
Con. EPS Growth (%)	*15.1*	*17.3*	*21.6*	*7.1*	*27.8*	*25.6*
Price-Concol EPS (x)	22.1	18.8	15.5	14.5	11.3	8.9
Dividend Per Share (Rs)	14.0	21.5	29.0	30.0	35.0	45.0
Dividend Yield (%)	0.5	0.8	1.0	1.1	1.3	1.6

E: MOSL Estimates

N O T E S

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