Equity Research

January 31, 2021

BSE Sensex: 46286

ICICI Securities Limited is the author and distributor of this report

Q3FY21 result review, TP & earnings revision

Financials

Target price Rs420

Earnings revision

(%)	FY21E	FY22E
PAT	↑ 11	↓ 8

Target price revision

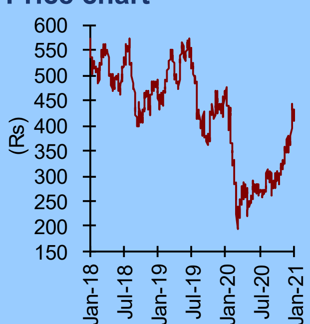
Rs420 from Rs338

Shareholding pattern

	Jun '20	Sep '20	Dec '20
Promoters	40.3	40.3	40.3
Institutional investors	44.9	47.1	47.2
MFs & other	4.7	6.7	9.6
Banks/FIs	0.9	0.7	0.7
Insurance	4.9	5.0	7.3
FIIs	34.4	34.7	29.6
Others	14.8	12.6	12.5

Source: BSE

Price chart



INDIA

LIC Housing Finance

ADD

Maintained

Grabbing market share; low buffer keeps us guarded

Rs396

LIC Housing Finance's (LICHF) Q3FY21 earnings were characterised by stupendous uptick in home loan disbursements (up 36%YoY/40% QoQ) grabbing the market share. Muted credit cost at a mere 35/22bps in Q3FY21/9MFY21 (hardly any contingency buffer) aids the beat on PAT of Rs7.9bn. Nonetheless, undisclosed pro forma stage-3, lack of clarity on restructuring quantum, provisions of 1.3% on stress pool (stage-1/2 assets) of 9.6% pose risk to earnings volatility from incremental stress. As growth gains precedence over margins, NIMs are likely to stay flat despite significant funding cost benefit. Sustenance of gained traction driving loan growth to >10% by FY22E would only advance the fund raising need. Maintain ADD with a revised target price of Rs420 (earlier Rs338, assigning 1x FY23E ABV). Key risks: 1) stress resolutions in developer loan portfolio; 2) credit cost sustaining at recent past averages of <40bps against our estimate of 60-80bps.

- **Provisioning buffer is currently meagre on rising stress pool, catch-up likely:** Relatively meagre level of covid buffer + impairment provision (on estimated pro forma stage-3) at <20bps (Rs4bn) of AUM resulted in truncated credit cost in 9MFY21 at 22bps (annualised). Management indicated pro forma stage-3 as another 100bps over reported stage-3 of 2.68% and anticipated restructuring (though not much clarity) to be another 50-100bps. Compared to pre-covid average of stage-2 + stage-3 assets at 7.5% (5%+2.5%), the stress pool currently is 9.63% (6.95%+2.68%). Against this, it hardly carries 1.3% provisioning buffer that poses the risk of credit cost being deferred to Q4FY21/FY22. The offset here can be a successful resolution of long pending developer book stress cases (through Swamih funding or alternative routes of JDA).
- **Grabbing market share; low rate home loans did the trick:** The company is changing gears towards high growth path through competitive rate offerings. There was stupendous uptick in home loan disbursements (up 36%YoY/40% QoQ). Few specific nuances lend comfort on sustainability and better risk profile: 1) Typical profile is superior quality customer in prime CIBIL score; 2) affordable housing constitute 30% of incremental disbursement; 3) key markets of dominance demonstrates record property registrations; 4) balance transfer (in) cases being <5%; more organically sourced origination; 5) new innovative launches – Griha Varishtha and digitisation aids growth. It continues to be relatively cautious on LAP / developer loans. Loan growth picked up traction to 7% YoY (from 5%), enhancing the visibility towards >10% for FY22E.
- **Growth precedes margins; NIMs improvement missing:** Decline in funding cost of >35bps QoQ/>70bps YoY did not add to meaningful rise in NIMs, which were up 2bps QoQ to 2.36%. This seems to be lower when seen in conjunction with pro forma slippages not recognised and interest not reversed on the same. Slippages, restructuring and asset quality behaviour (be it recognition or resolution) will keep NIMs volatile. We believe benefits of lower borrowing cost will be passed on to prime customers for growth and NIM improvement will be limited.

Market Cap	Rs200bn/US$2.7bn
Reuters/ Bloomberg	LICH.BO/LICHF IN
Shares Outstanding (mn)	504.7
52-week Range (Rs)	459/192
Free Float (%)	59.7
FII (%)	29.6
Daily Volume (US$/'000)	30,770
Absolute Return 3m (%)	39.8
Absolute Return 12m (%)	(7.2)
Sensex Return 3m (%)	16.9
Sensex Return 12m (%)	15.0

Year to Mar	FY20	FY21E	FY22E	FY23E
NII (Rs mn)	46,782	50,226	55,606	62,434
Net Profit (Rsmn)	24,019	25,795	23,827	30,079
EPS (Rs)	47.6	51.1	47.2	59.6
% Chg YoY	-1.2	7.4	-7.6	26.2
P/E (x)	8.3	7.7	8.4	6.6
P/BV (x)	1.1	1.0	0.9	0.8
Net NPA (%)	1.6	2.4	2.0	1.7
Dividend Yield (%)	2.0	2.1	2.1	2.1
RoA (%)	1.2	1.1	1.0	1.1
RoE (%)	13.9	13.4	11.1	12.7

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Q3FY21 earnings call takeaways

On asset quality

- ***Reported stage 3 assets were 2.68% (compared to 2.79%/2.83% in Q2FY21/Q1FY21) -*** 1.22% for individual segments and 16.22% for non-individual segment.
- ***Proforma stage-3 assets would be less than 1% over and above the reported stage-3.*** Last quarter it highlighted proforma stage-3 of Rs3.0-3.5% (150-170 bps). Now there will be an overlap with anticipated restructuring.
- Stage-2 at 6.95% (retail too at ~7%) has to be looked in conjunction with 4-55% over past several quarters – prior to Covid.
- Total provisions at Rs29.5bn – this includes Covid 19 related provision stood at Rs2.1bn compared to Rs1.9bn in Q2FY21 (<10bps of AUM). Over and above this, created impairment provision of Rs1.86bn (8bps) towards proforma slippages.

Collection efficiency and restructuring

- Collection efficiency is 98% in December (from 96% in September) – LAP collection efficiency is 96-97%
- There will likely be flow back from stage-2 to stage-1 due to improving collections MoM. March collections have always been the best.
- Evaluating proposals received for restructuring – Rs20-30bn applications are being processed (out of enquiries of Rs65-70bn)

On developer book

- ***Stage-1 in developer book is 16.22%; Stage-2 in developer book would be 8-9%. Developer stage-2 is Rs5bn and restructuring would be ~Rs5bn***
- Rs14bn of projects where Swamih (last mile) funding is being evaluated – 1 already done, 3-4 being in process and another 10-12 is being evaluated.
- Some resolutions anticipated in builder and high ticket segment.

On growth

- Revival in economic activity speaks about resilience of real estate sector and improved demand. Witnessing steady improvement in disbursement and asset growth every successive month.
- ***28% growth in disbursements – individual home loan segment 36% growth YoY. This supported overall loan book growth of 6% to Rs2.2tn - individual segment at 5% and Individual home loan share further improved to 77%.***
- For December, disbursement growth was in mid-30s
- Affordable housing account for more than 30% share in incremental disbursements
- Trigger for demand – key markets like Mumbai – record level registrations
- In 9MFY21 – disbursements 15% plus from Maharashtra and Gujarat

- New products – Gruh Varishtha, digitisation
- Doesn't encourage balance transfer-in – it would be less than 5% of disbursements.

On growth approach

- ***The company is coming back on to a growth path aggressively being competitive on rate front and now offering 6.9%***
- Passing on the funding cost benefit and will make out spreads in volume (absolute term).
- Focus was to get good quality customer with CIBIL top score – risk adjusted NIMs are better
- Cautious on LAP on large cases – there will demand for LAP and will participate – will carefully choose

On NIMs

- NIMs were merely up 2 bps to 2.36%.
- ***Yield of home loan on a stock basis – 7.6%; incremental it is slightly more than 7%***
- Yield on developer book is 13%, incremental is slightly less than 13% - doing very little cases.
- Funding cost reduction of 36bps – incremental cost of funds has also come down significantly
- Successfully raised Rs10bn of Tier-2 bonds to shore up capital adequacy
- Rs200bn will be maturing in FY22 and 6070bn in Q4FY21.

Q2FY21 earnings call takeaways

On collection efficiency & restructuring

- ***Collection efficiency for overall portfolio (retail + non-retail, morat + non-morat) at more than 96% for the month of September***
- 96% calculation does not include any previous month arrears

On restructuring

- ***3-3.5% of the total portfolio has enquired for restructuring. Overall, Rs 65-70bn has approached for restructuring***.
- ***Restructuring split is 1:2 for Retail:Corporate (Retail 24bn & Project Rs 47bn)***
- ***Not sure how many of this will be approved and result into actual restructuring.*** Company will however look for eligibility and examine tentative cash flows post which it will offer restructuring.

On credit cost

- ***Credit cost can inch up to 20-21bps in FY21.***

- Current provisions at stage 3 level is adequate with respect to provisions even after considering restructuring since company is also expecting 2-3 big ticket resolution in Q3

On asset quality

- ***Rs 3-3.5bn (15017bps) of additional NPL are under standstill as per SC interim order***
- During Q3, some 2-3 big ticket size case resolution will materialize which are in final stage and hence there can be steep decline in NPA numbers
- Stage 2 assets has reduced significantly while 4% customers have not paid for the month of September. Hence, it can be assumed that most of the 4% customer would be under 30 dpd

On margins & yields

- For the quarter, Incremental yield was 8.11 (individual at 7.3-7.4%) while incremental cost was 5.81.
- ***NIMs will be stable to positive***
- ***Best rate of interest is 6.9% for cibil score of more than 700 and loan amount of up to Rs 150mn. Company strictly goes by CIBIL score and they have not witnessed any concerns with respect to CIBIL score.***

On funding cost

- Cost of funds saw a decline of 26bps QoQ and 46bps in H1FY21
- Incremental funding cost fell 100bps in Q2 as compared to total cost of funds
- ***High cost liabilities of Rs 165bn (average coupon of 8.4-8.5) is expected to redeem in H2FY21 which will further result in lower cost of funds***
- ***For FY22, high cost liabilities worth Rs 210bn with an average coupon of 8.1-8.2 are due for redemption***
- Company was able to re-negotiate term loans rate with banks and has shifted from MCLR to Repo linked loans

On disbursements

- Fresh disbursements are back to pre-covid levels
- Top-up loans would be around 3-4% of the total disbursements
- ***September - 22% YoY growth in individual home loans, October - 38% YoY growth in individual home loans***
- Balance transfer as a % of total disbursements were less than 5%
- 29% of retail disbursements are in PMAY segment
- Disbursements growth is wide spread across the country
- ***Disbursements in builder segment were largely to existing customers***
- Mobile app generated nearly Rs 20bn of sanctions which was launched just a month before lockdown

On Griha Varishtha

- Recently launched Griha Varishtha scheme has crossed AUM of Rs 10bn till date
- Anybody up to age 65 and having pension income can take housing loan and pay up to 80 years

- ***Rate of Interest is 6.9% up to Rs 150mn home loan***
- If goes for under construction amount, then 48 months moratorium is given for principal payment and only interest is payable for that period

On credit & deposit profile

- ***9-10% YoY credit growth can be expected in Q3***

On fee income & opex

- Opex was sharply higher YoY as well as QoQ due to higher CSR expenses

Q1FY21 earnings call takeaways

On growth

- ***Disbursements were at almost one-third level both QoQ as well as YoY at Rs35.6bn*** – of this Rs30.3bn was in home loan segment, Rs3.7bn in LAP and merely Rs1.6bn in corporate developer segment.
    - ***Disbursements picked up in June and it was 60% of last June. In July and August, it has already hit similar to last year in retail home loans and should report double digit growth in Q2FY20.***
    - Under PMAY it disbursed almost Rs10bn.
    - With respect to developer financing, incremental disbursements are largely towards affordable segment
- Loan book was flat QoQ (further moderated to 6% growth YoY from 8%) to Rs2.1tn. Business activity is picking up, especially from June and is witnessing an increasing business trend month after month. Is confident of a rebound in Q2 itself.
- **During the phase of lockdown, it has launched several products that will support business strategies in the new normal (business process reengineering and digitalisation)–**
    - Multi-year low rate of 6.90% onwards on new home loans for borrowers with CIBIL score of 700 & above.
    - Special home loan product 'GrihaVarishtha' for pensioners, till they attain 80 years of age or maximum up to 30 years, whichever is earlier.

On asset quality

- Stage-1 assets has improved to 93.5% QoQ from 92.5% and **Stage-3 remained at the same level at 2.83%.**
- ***Recovered Rs250mn in developer loans and NPL in developer financing was down QoQ to 17.35% (from 17.8%).***
- **There was almost 70bps decline in stage-2 to 3.97% due to collection and nothing to do with SBI fund.** For developer financing, stage-2 assets would have moved up marginally from 2.55% to 2.68%.
- The way ECL model pans out, it is based on probability of default where it is comfortable looking at past track record and loss given default would be negligible as it has enough cushion on value of property, collateral (LTV at inception itself is

late 40%). As far as LAP is concerned there is cast in stone that it cannot exceed 60% on inception.

On moratorium

- ***Moratorium on Individual home loans was 16%, construction finance 77%, LAP –37% of which salaried LAP is 21%. Overall AUM under moratorium was ~25% (as of June 30, 2020).*** Of the non-morat pool, 90% are paying regularly.
- Morat is now down from peak of 29% during the quarter. In July and August, it has witnessed further improvement and should settle between 20-25%.
- Individuals intermittent payment is coming but in builders most of the payment is not there. Many customers have taken moratorium to preserve cash.
- In terms of number of customers – less than 12% are under moratorium and its coming down MoM.
- It is very difficult to comment on how much would get restructured and provisioning requirement. All standard accounts were granted moratorium and in September will not slip into NPL. Infact it gives more time to financier as well as customer to engage with the customers.
- Set up a task force at each branches for customer engagement and collections.
- Builders also through sale of assets have repaired the cash flow when moratorium was granted and hence its not necessary that major proportion will get restructured. In builder book, it has collateral cover of 2.0-2.5x.

On NIMs

- After a technical dip in NIM, it retraced back to 2.32% leading to 6% YoY/13% QoQ growth in net interest income.
- Yields improved as competitive intensity was not high during the quarter and it was able to charge higher rates. and due to interest accruals with NPLs remaining flat.
- ***Cost of funds has reduced by 11bps and incremental cost is much lower. Funding environment and liquidity conditions remain quite comfortable. 3-year paper now being raised at 5.4-5.5% (compared to 7.3 in March). It has also reduced deposit rates by 150bps.***
- To diversify sources of borrowings, it has increased NHB borrowing at 5.5% and share of retail deposits is now 8%.
- ***Project loan average yields is 13.0-13.5%, LAP book at 10-10.5%. Much of the reset to lower interest rate has already happened.***

Capital raising

- At appropriate time Board will take a call on capital infusion.

Other highlights

- Performance linked incentives given to employees that led to increase in employee cost.
- Within developer financing, mid-segment and affordable housing component would be 65-70%.

Table 1: Q3FY21 result review

(Rs mn, year ending March 31)

	Q3FY20	Q2FY21	Q3FY21	% YoY	% QoQ
Interest income	49,432	49,382	48,761	(1.4)	(1.3)
Interest expenses	37,152	37,002	35,951	(3.2)	(2.8)
Net interest income	**12,280**	**12,380**	**12,810**	**4.3**	**3.5**
Other income	532	437	1,100	106.7	151.9
Net Operating income	**12,812**	**12,817**	**13,910**	**8.6**	**8.5**
Operating expenses	**1,452**	**1,694**	**1,784**	**22.8**	**5.3**
Pre-provisioning profit (PPoP)	**11,360**	**11,123**	**12,127**	**6.8**	**9.0**
Provisions	3907	1030	1810	(53.7)	75.6
PBT	**7,453**	**10,093**	**10,317**	**38.4**	**2.2**
Tax expense	1,478	2,184	2,426	64.2	11.1
Tax Rate (%)	19.8	21.6	23.5	368 bps	187 bps
PAT	**5,975**	**7,909**	**7,891**	**32.1**	**(0.2)**
EPS (Rs)	**11.8**	**15.7**	**15.6**	**32.1**	**(0.2)**

Source: Company data, I-Sec research
*Note: All numbers are as per IND-AS

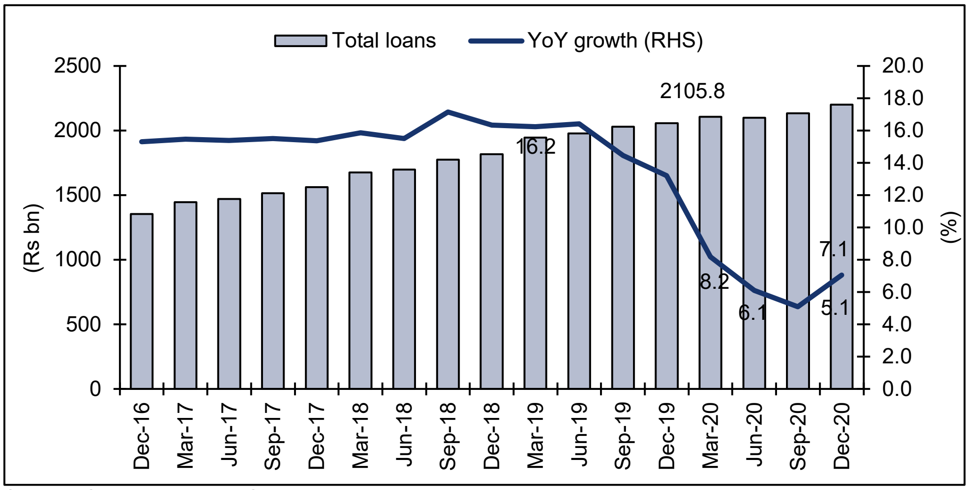
Table 2: Key ratios

(Rs mn, year ending March 31)

	Q3FY20	Q2FY21	Q3FY21	% YoY	% QoQ
Loans (Rsmn)	**20,56,920**	**21,33,490**	**22,01,970**	**7.1**	**3.2**
Disbursements (Rsmn)	**1,31,770**	**1,24,440**	**1,68,570**	**27.9**	**35.5**
Yield on loans (%) (disclosed)	9.7	9.3	9.0	*-68 bps*	*-34 bps*
Cost of borrowings (%) (disclosed)	8.2	7.8	7.5	*-72 bps*	*-37 bps*
Spread (%) (disclosed)	1.5	1.5	1.5	*3 bps*	*2 bps*
NIM (%)	**2.4**	**2.3**	**2.4**	***-4 bps***	***2 bps***
GNPL (% of total loans)	**2.73**	**2.79**	**2.68**	***-5 bps***	***-11 bps***
NNPL (% of total loans)	**1.5**	**1.5**	**1.3**	***-15 bps***	***-15 bps***
Provisions as a % of AUM	0.19	0.05	0.08	*-11 bps*	*3 bps*
Cost to income	11.8	13.7	13.9	*209 bps*	*24 bps*

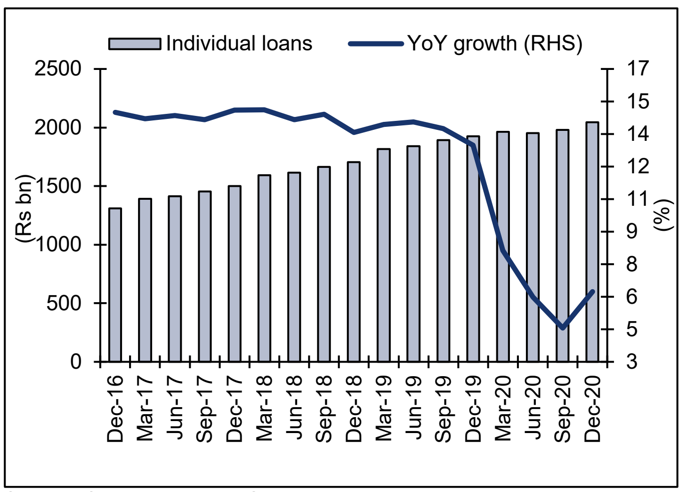
Source: Company data, I-Sec research
*Note: All numbers are as per IND-AS

Chart 1: Robust individual disbursements drives loan growth



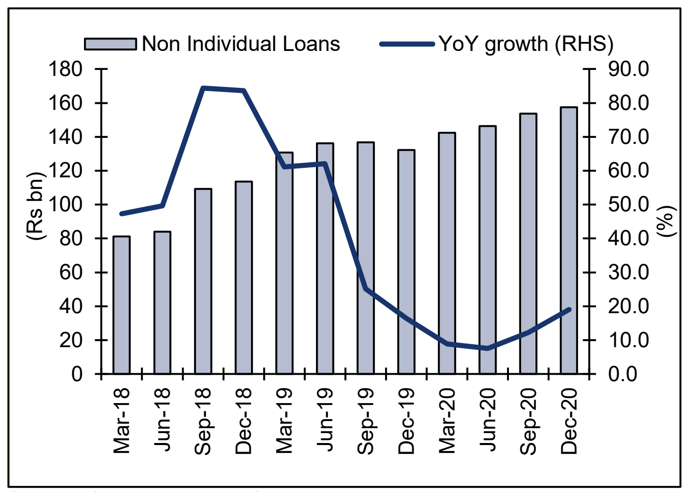
Source: Company data, I-Sec research

Chart 2: Home loan disbursements spiked with competitive rate offering



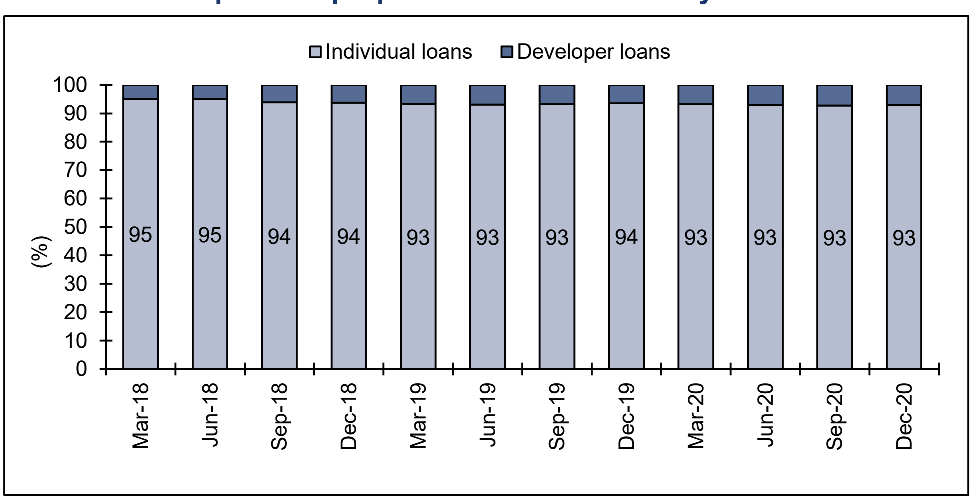
Source: Company data, I-Sec research

Chart 3: Cautious approach towards non-individual loans (disburses only to existing customers)



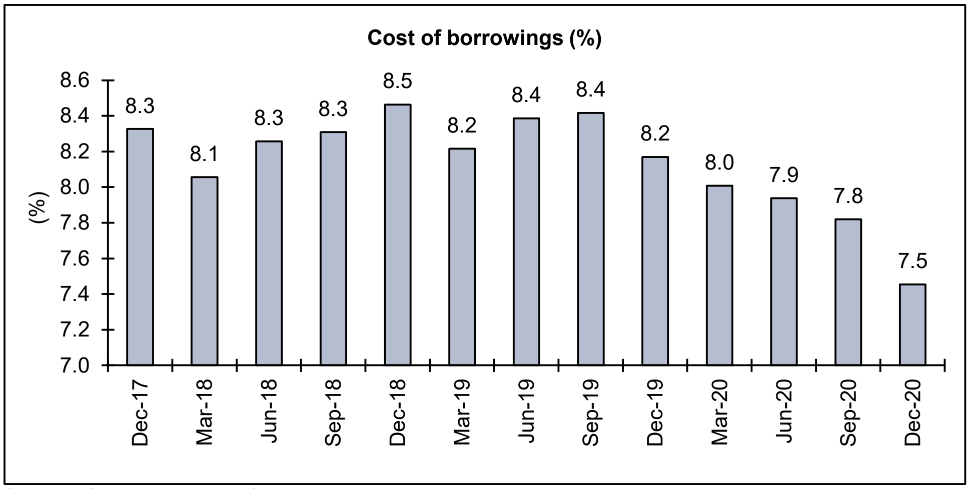
Source: Company data, I-Sec research

Chart 4: Developer loan proportion remained broadly stable at ~7%



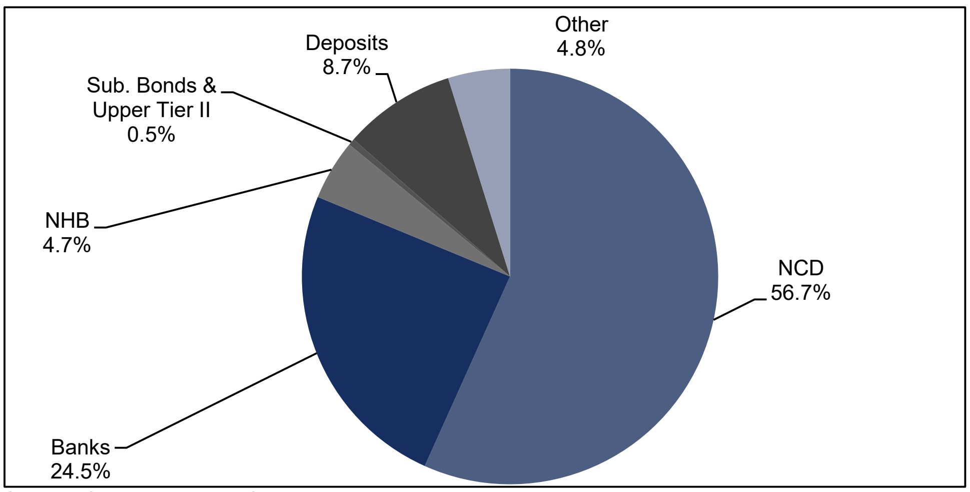
Source: Company data, I-Sec research

Chart 5: Cost of funding on a sustained downward trajectory



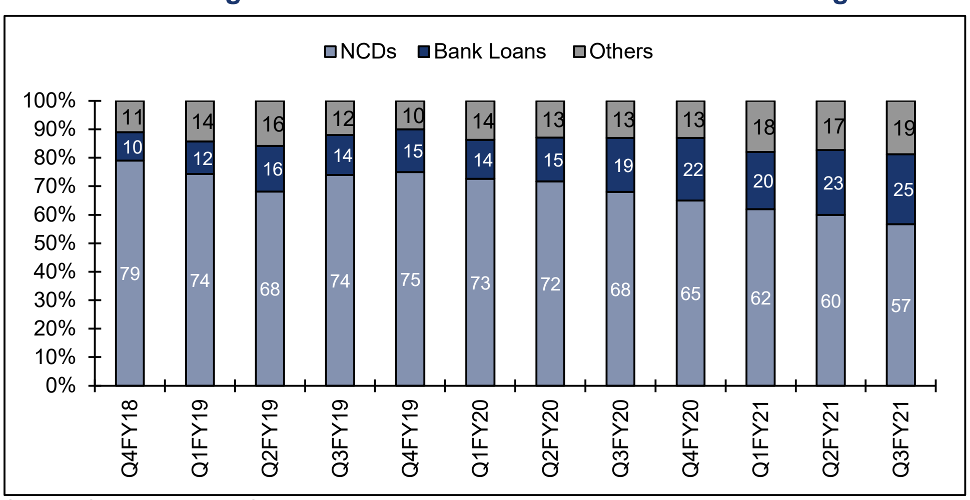
Source: Company data, I-Sec research

Chart 6: Effectively diversifying the borrowing – proportion of NHB, bank loans and deposits has risen



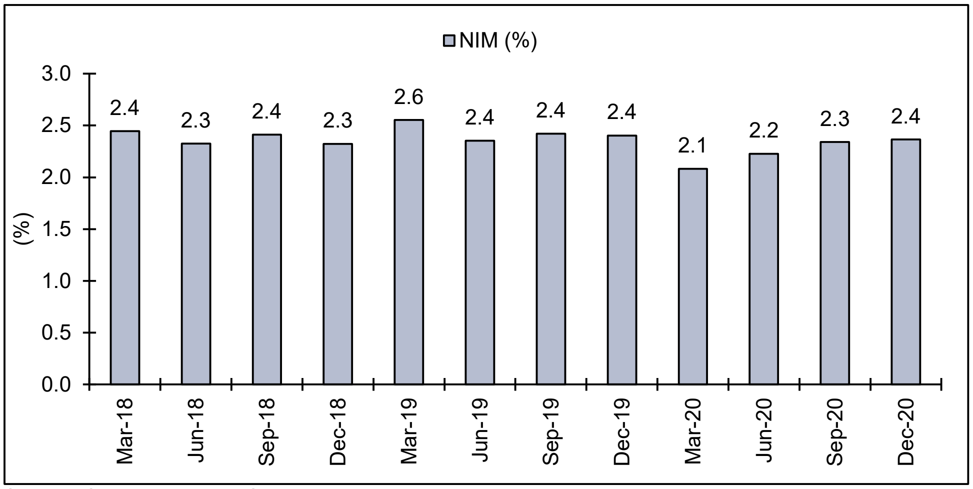
Source: Company data, I-Sec research

Chart 7: Lowering excessive reliance on debt market borrowings



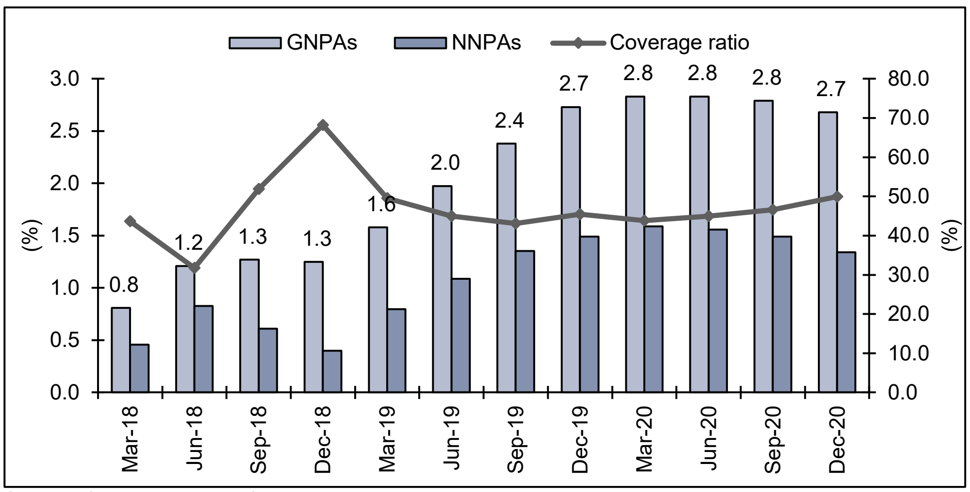
Source: Company data, I-Sec research

Chart 8: NIMs improvement missing as growth precedes margins



Source: Company data, I-Sec research

Chart 9: GNPA flat, likely to spike in Q4FY21 / FY22



Source: Company data, I-Sec research

Financial summary

Table 3: Profit and loss statement

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E	FY23E
Interest earned	1,71,611	1,94,620	1,98,200	2,16,102	2,44,405
Interest expended	1,28,912	1,47,839	1,47,974	1,60,496	1,81,971
Net interest income	**42,699**	**46,782**	**50,226**	**55,606**	**62,434**
Other income	1,923	2,077	1,927	2,476	3,000
Operating expenses	4,732	3,450	3,146	3,429	3,599
Employee costs	2,474	2,991	3,304	3,634	3,998
Depreciation	117	199	219	241	265
Pre-provisioning op profit	**37,299**	**42,218**	**45,484**	**50,777**	**57,572**
Provisions & contingencies	3,501	9,527	12,389	20,230	19,009
Profit before tax	**33,797**	**32,690**	**33,095**	**30,547**	**38,563**
Income taxes	9,486	8,671	7,300	6,720	8,484
Net profit	**24,311**	**24,019**	**25,795**	**23,827**	**30,079**

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E	FY23E
Share Capital	1,010	1,009	1,009	1,009	1,009
ESOPs	0	0	0	0	0
Reserves and surplus	1,61,583	1,80,921	2,03,199	2,22,786	2,48,626
Shareholders' equity	**1,62,593**	**1,81,930**	**2,04,208**	**2,23,796**	**2,49,636**
Borrowings	17,06,290	19,10,900	20,61,233	23,31,438	26,81,838
DTL reserve	0	0	0	2,444	5,529
Current liabilities & provisions	1,36,952	75,226	91,728	1,00,097	1,15,377
Total liabilities & stockholders' equity	**20,05,835**	**21,68,056**	**23,57,169**	**26,57,775**	**30,52,379**
Loans & advances	19,29,927	20,79,880	22,90,259	25,90,487	29,79,820
Fixed assets	1,359	2,544	2,753	3,099	3,488
Investments	35,951	54,964	40,180	39,912	44,055
Cash and Balance	29,949	19,790	11,874	10,686	9,618
Current assets	3,115	5,679	6,903	8,390	10,198
Deferred tax assets	5,534	5,200	5,200	5,200	5,200
Total assets	**20,05,835**	**21,68,056**	**23,57,169**	**26,57,775**	**30,52,379**

Source: Company data, I-Sec research

Table 5: Key ratios

(Year ending March 31)

	FY19	FY20	FY21E	FY22E	FY23E
Growth (%)					
AUM	16.2	8.2	8.8	13.1	15.0
Net Interest Income	24.2	9.6	7.4	10.7	12.3
Total Non-Interest Expenses	57.4	(9.3)	0.4	9.5	7.6
Pre provisioning operating profits	15.3	13.2	7.7	11.6	13.4
PAT	21.4	(1.2)	7.4	(7.6)	26.2
EPS	21.4	(1.2)	7.4	(7.6)	26.2
Yields, interest costs and spreads (%)					
NIM on AUM	2.4	2.3	2.3	2.3	2.2
Yield on loan assets	9.6	9.7	9.1	8.9	8.8
Average cost of funds	8.2	8.2	7.5	7.3	7.3
Interest Spread on loan assets	1.4	1.5	1.6	1.5	1.5
Operating efficiencies					
Non-interest income as % of total income	1.1	1.1	1.0	1.1	1.2
Cost to income ratio (%)	17.2	14.2	13.3	13.1	12.6
Op.costs/avg AUM (%)	0.4	0.3	0.3	0.3	0.3
No of employees	2,309	2,409	2,509	2,609	2,709
No of branches	273	281	290	300	300
Average annual salary (Rs)	10,71,330	12,41,553	13,16,804	13,92,965	14,75,700
Annual inflation in average salary (%)	1.5	15.9	6.1	5.8	5.9
Salaries as % of non-int.costs (%)	33.8	45.0	49.5	49.8	50.9
NII /employee (Rsmn)	18.5	19.4	20.0	21.3	23.0
AUM/employee (Rsmn)	843	874	913	993	1100
AUM/ branch (Rs mn)	7,130	7,494	7,897	8,635	9,933
Capital Structure					
Debt-Equity ratio	10.5	10.5	10.1	10.4	10.7
Leverage (x)	12.3	11.9	11.5	11.9	12.2
CAR (%)	14.4%	14.3%	14.3%	13.5%	13.1%
Tier 1 CAR (%)	12.3%	12.5%	12.4%	11.8%	11.4%
Tier 2 CAR (%)	2.1%	1.8%	1.9%	1.7%	1.7%
Asset quality and provisioning					
GNPA (%)	1.6	2.9	4.2	3.7	3.1
NNPA (%)	0.8	1.6	2.4	2.0	1.7
GNPA	30,493	60,317	96,191	95,848	92,374
NNPA	15,382	33,278	54,966	51,810	50,657
Coverage ratio (%)	49.6	44.8	42.9	45.9	45.2
	0.19	0.47	0.56	0.83	0.68
Return ratios & capital management					
RoAA (%)	1.3	1.2	1.1	1.0	1.1
RoAE (%)	15.9	13.9	13.4	11.1	12.7
Payout ratio (%)	15.8	16.8	16.0	17.8	14.1
Valuation Ratios					
EPS (Rs)	48.2	47.6	51.1	47.2	59.6
Price to Earnings	8.2	8.3	7.7	8.4	6.6
BVPS (Rs)	322.2	360.5	404.6	443.5	494.7
Price to Book	1.2	1.1	1.0	0.9	0.8
Book Value (DTL added back)	322.2	360.5	404.6	448.3	505.6
Price to book (DTL added back)	1.2	1.1	1.0	0.9	0.8
Dividend yield (%)	1.9	2.0	2.1	2.1	2.1

Source: Company data, I-Sec research

Table 6: DuPont analysis (on average loan assets)

(Rs mn, year ending March 31)

	FY19	FY20	FY21E	FY22E	FY23E
Interest earned	9.6	9.7	9.1	8.9	8.8
Interest expended	7.2	7.4	6.8	6.6	6.5
Gross Interest Spread	**2.4**	**2.3**	**2.3**	**2.3**	**2.2**
Provisioning for NPAs	0.2	0.5	0.6	0.8	0.7
Net Interest Spread	**2.2**	**1.9**	**1.7**	**1.4**	**1.6**
Operating cost	0.4	0.3	0.3	0.3	0.3
Lending spread	**1.8**	**1.5**	**1.4**	**1.2**	**1.3**
Non-interest income	0.1	0.1	0.1	0.1	0.1
Operating spread	**1.9**	**1.6**	**1.5**	**1.3**	**1.4**
Tax	0.5	0.4	0.3	0.3	0.3
Return on average loan assets	**1.4**	**1.2**	**1.2**	**1.0**	**1.1**
Effective leverage (average loan assets/ average equity)(x)	11.8	11.6	11.3	11.4	11.8
RoAE	**15.9**	**13.9**	**13.4**	**11.1**	**12.7**

Source: Company data, I-Sec research

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