

India

**HOLD** (no change)

Consensus ratings\*: Buy 8 Hold 13 Sell 24

Current price:	Rs802
Target price:	Rs840
Previous target:	Rs840
Up/downside:	4.7%
InCred Research / Consensus:	11.9%
Reuters:	INBK.NS
Bloomberg:	IIB IN
Market cap:	US\$7,210m
	Rs624,842m
Average daily turnover:	US\$99.1m
	Rs8585.3m
Current shares o/s:	840.5m
Free float:	0.0%

\*Source: Bloomberg

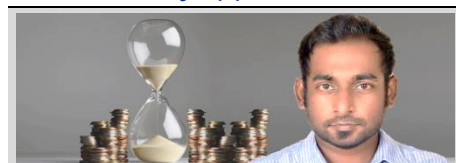
**Key changes in this note**

- We have cut earnings estimates factoring in the impact of new accounting lapses.
- We tweak our beta assumptions.



Price performance	1M	3M	12M
Absolute (%)	(6.5)	(3.4)	(42.9)
Relative (%)	(2.8)	(4.2)	(42.5)

Major shareholders	% held
	0.0
	0.0
	0.0

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**IndusInd Bank****Steadied ship; weak core performance**

- Key negatives in 1Q were weak core fees & higher-than-expected credit costs. Positives were comfort on business normalizing & steps taken by IIB's board.
- Stock trades at 0.9x FY27BV. We believe it is not cheap, given the lingering uncertainty about the new management & elongated MFI asset quality cycle.
- We keep our target price unchanged at Rs840 (~5% upside) while we trim our estimates and reduce beta. Risk-reward appears balanced at 0.9x FY27F BV.

**Weak core performance; strong treasury gains aid net income**

IndusInd Bank (IIB) reported 1QFY26 PAT of Rs6.8bn (annualized RoA of 0.5%), missing our estimates mainly on lower core fee income and higher provisioning. This was partly offset by contained costs and strong treasury income (Rs6.3bn). The reported margin was 3.46%, included 11bp owing to lumpy corporate loan recovery and the interest on income-tax refund. Adjusted for this, the margin stood at 3.35% vs. 3.46% last quarter. Core fee income declined by 35% YoY to Rs15bn (1.1% annualized RoA) mainly owing to lower disbursements, reduced corporate credit card business and a decline in corporate loans. Operating costs grew by 6% YoY (8% below our estimate). During the quarter, the bank reclassified a portion of other operating expenses to employee costs. Credit costs moderated QoQ (205bp vs. 272bp) but was higher than expected (180bp). This was mainly led by elevated slippage in the MFI segment (Rs8.9bn; 10% annualized). Management expects the stress to normalize over the next couple of quarters. The CET-1 ratio stood at 15.5% and the average LCR at 141%.

**Margin may stabilize at current level; expect full-year margin at ~3.5%**

The core margin (ex-lumpy corporate loan recovery & IT refund) stood at 3.35%. We believe the bank has multiple tailwinds on the margin front, given the sharp cuts in savings as well as term deposits, unwinding of the lumpy corporate IBPC transaction in 2QFY26F and normalizing disbursement momentum. We expect FY26F margin to average at ~3.5%.

**Company highlights progress made on CEO's appointment**

Chief executive officer or CEO recommendation was submitted within the prescribed timeline and is currently under the regulatory approval process. Also, no changes were made to CEO recommendation from what was initially submitted. While the company's board awaits the new CEO, it works on identified themes including the profitability first approach, cost management, scaling up collections and leveraging existing customers for risk-adjusted growth.

**Stock still not cheap at 0.9x FY27F BV, given lingering uncertainties**

IIB's valuation will continue to remain under pressure (trading at 0.9x F27F BV), mainly led by the uncertainty over the new management team as well as an elongated microfinance or MFI asset quality cycle. We trim earnings estimates as we lower our margin and core income, which is partly offset by contained costs. We keep our target price unchanged at Rs840, assigning a multiple of 0.9x on FY27F BV. Maintain HOLD rating on IIB. Upside risks: Better-than-expected asset quality outcome, clarity on management transition, & better-than-expected core margin progression. Downside risks: Worsening operational or asset quality outcome.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	206,159	190,313	190,421	220,115	257,253
Total Non-Interest Income (Rsm)	93,879	76,842	85,713	93,018	107,662
Operating Revenue (Rsm)	300,038	267,155	276,135	313,133	364,915
Total Provision Charges (Rsm)	(37,987)	(70,301)	(67,845)	(57,029)	(57,333)
Net Profit (Rsm)	89,498	26,429	24,904	45,710	63,370
Core EPS (Rs)	114.99	33.92	31.97	58.67	81.34
Core EPS Growth	21%	(70%)	(6%)	84%	39%
FD Core P/E (x)	6.98	23.64	25.09	13.67	9.86
DPS (Rs)	16.50	0.00	10.00	15.00	15.00
Dividend Yield	2.06%	0.00%	1.25%	1.87%	1.87%
BVPS (Rs)	806.8	827.8	864.1	912.8	979.2
P/BV (x)	0.99	0.97	0.93	0.88	0.82
ROE	15.2%	4.2%	3.8%	6.6%	8.6%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly results summary**

Rs Mn	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
<b>Net Interest Income</b>	<b>54,076</b>	<b>30,483</b>	<b>46,398</b>	<b>-14%</b>	<b>52%</b>
<b>Adj. Net Interest Income</b>	<b>54,076</b>	<b>30,483</b>	<b>44,923</b>	<b>-17%</b>	<b>47%</b>
Other Income	24,413	7,088	21,562	-12%	204%
--Core Fee	23,480	23,050	15,320	-35%	-34%
--Treasury Income	930	-15,960	6,250	572%	-139%
--Misc. Income	3	-2	-8	-404%	280%
<b>Total income</b>	<b>78,489</b>	<b>37,571</b>	<b>67,961</b>	<b>-13%</b>	<b>81%</b>
--Core Revenues	77,556	53,533	61,718	-20%	15%
<b>--Adj. Core Revenues</b>	<b>77,556</b>	<b>53,533</b>	<b>60,243</b>	<b>-22%</b>	<b>13%</b>
<b>Operating Expenses</b>	<b>39,222</b>	<b>42,297</b>	<b>41,439</b>	<b>6%</b>	<b>-2%</b>
--Staff Expenses	11,616	12,287	12,958	12%	5%
--Other Operating Expenses	27,606	30,009	28,481	3%	-5%
<b>Operating Profit</b>	<b>39,267</b>	<b>-4,725</b>	<b>26,522</b>	<b>-32%</b>	<b>-661%</b>
--Core PPOp	38,334	11,237	20,279	-47%	80%
<b>--Adj. Core PPOp</b>	<b>38,289</b>	<b>58,259</b>	<b>33,722</b>	<b>-12%</b>	<b>-42%</b>
<b>Provisions</b>	<b>10,498</b>	<b>24,166</b>	<b>17,378</b>	<b>66%</b>	<b>-28%</b>
<b>PBT</b>	<b>28,769</b>	<b>-28,891</b>	<b>9,144</b>	<b>-68%</b>	<b>-132%</b>
Tax	7,247	-6,531	2,301	-68%	-135%
<b>PAT</b>	<b>21,522</b>	<b>-22,360</b>	<b>6,843</b>	<b>-68%</b>	<b>-131%</b>
EPS	28	-29	9		
Advances	3,478,980	3,450,186	3,336,940	-4%	-3%
Deposits	3,985,130	4,110,781	3,971,440	0%	-3%
LD Ratio	87%	84%	84%		
CASA Ratio	37%	33%	31%		
Margins (%)	4.25	2.25	3.46	-0.79	1.21
Adj. Margins (%)	4.25	3.46	3.35	-0.90	-0.11
Overall provisions (in bps)	122	272	205		
---Credit cost (in bps)	122	272	205		
-----NPA provisions	122	272	205		
GNPA	71,268	110,464	124,806	75%	13%
GNPA Ratio (%)	2.02%	3.13%	3.64%		
NNPA	20,955	32,871	37,215	78%	13%
NNPA Ratio (%)	0.60	0.95	1.12		
PCR	50,313	77,593	87,590	74%	13%
PCR Ratio (%)	71%	70%	70%		
Slippages	15,360	50,140	25,670	67%	-49%
--% of trailing loans	2.0%	5.8%	3.0%		
CET-1 Ratio (%)	16.2%	15.1%	15.5%		
RoA	1.7%	-1.7%	0.5%		
RoE	13.5%	-14.1%	3.7%		

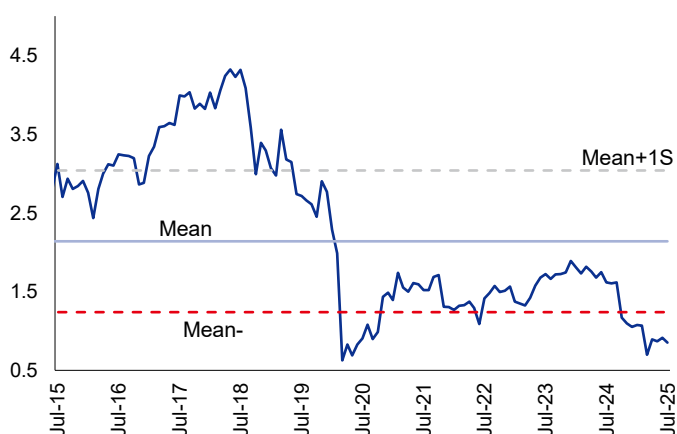
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Rs bn	New Estimates				Old Estimates			Change		
	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Net Interest Income	190	190	220	257	195	230	268	-2%	-4%	-4%
--Growth YoY	-8%	0%	16%	17%	2%	18%	16%			
Non-Interest Income	77	86	93	108	109	125	143	-21%	-25%	-25%
--Growth YoY	-18%	12%	9%	16%	42%	14%	15%			
Total Income	267	276	313	365	304	355	411	-9%	-12%	-11%
--Growth YoY	-11%	3%	13%	17%	14%	17%	16%			
Opex	161	175	195	223	184	210	240	-5%	-7%	-7%
--Growth YoY	13%	9%	11%	14%	14%	14%	14%			
PPOP	106	101	118	142	120	144	170	-16%	-18%	-17%
--Growth YoY	-32%	-5%	17%	20%	13%	20%	18%			
Provision	70	68	57	57	66	57	57	2%	0%	0%
--as a % of avg. loans	204	186	137	120	182	137	120			
PBT	36	33	61	85	54	87	113	-38%	-30%	-25%
Tax	10	8	15	21	14	22	28	61%	43%	33%
PAT	26	25	46	63	40	65	85	-38%	-30%	-25%
--Growth YoY	-70%	-6%	84%	39%	52%	63%	29%			
Advances	3,450	3,864	4,444	5,110	3,864	4,444	5,110	0%	0%	0%
--Growth YoY	1%	12%	15%	15%	12%	15%	15%			
Deposits	4,111	4,399	5,058	5,817	4,604	5,295	6,089	-4%	-4%	-4%
--Growth YoY	7%	7%	15%	15%	12%	15%	15%			
Book Value	828	864	913	979	879	953	1,047	-2%	-4%	-6%
--Growth YoY	3%	4%	6%	7%	6%	8%	10%			
EPS	34	32	59	81	51	84	109	-38%	-30%	-25%
--Growth YoY	-71%	-6%	84%	39%	52%	63%	29%			
RoA	0.5%	0.4%	0.7%	0.9%	0.7%	1.0%	1.1%	-25	-27	-24
RoE	4.1%	3.8%	6.6%	8.7%	6.0%	9.2%	10.9%	-226	-254	-224

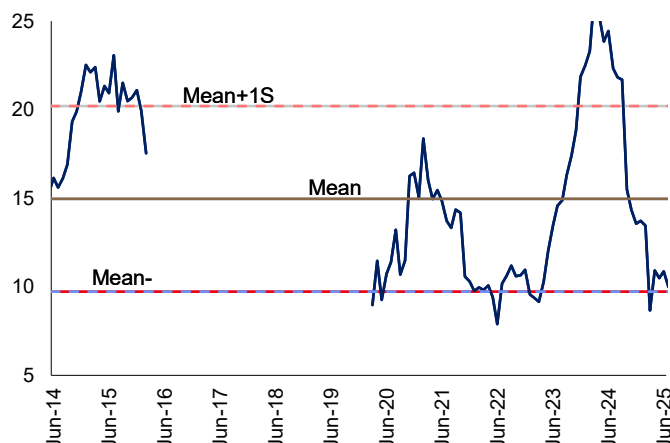
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: One-year forward P/BV**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: One-year forward P/E**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Earnings highlights

- IIB's loan book declined by 4% YoY (down 3% QoQ), primarily led by corporate loans (down 16% YoY; down 8% QoQ), because of balance sheet management. Liquidity concerns have now been resolved (avg. LCR at 141%) and the bank expects disbursements to normalize from here on. MFI loans declined by 23% QoQ (down 8% YoY) while vehicle loans grew by 7% YoY (1% QoQ) and consumer loans were up 20% YoY (2% QoQ).
- Gross slippage moderated QoQ (Rs26bn vs. Rs31bn - adjusted for MFI misclassification). Recoveries and upgrades were lower QoQ (Rs4.7bn vs. Rs5.3bn) and write-offs declined sharply (Rs6.6bn from Rs18bn). As a result, headline gross NPAs increased by 3% QoQ to Rs124bn, with the GNPA ratio rose 51bp QoQ to 3.64%. The lower reduction in NPAs was due to no asset sales during the quarter and limited core profits available to drive write-offs. PCR remained stable QoQ at 70%. The net NPA ratio increased QoQ (1.12% vs. 0.95%). The restructured loan book moderated QoQ (10bp vs. 12bp).
- Deposits were flat YoY vs. up 7% YoY last quarter. Sequentially, deposits declined by 3% vs. flat QoQ last quarter. During the quarter, the bank let most of the short-term certificate of deposits to mature (which were raised in Mar

2025 to shore up liquidity). Retail deposits (per LCR) grew by 6% YoY (flat QoQ). The deposit mix improved in favour of the retail segment (60% vs. 58% last quarter).

- The CET-1 ratio remains healthy at 15.5%. Management stated that there are no immediate plans to raise capital and that the enabling resolution was taken just like it does every year. On the Reserve Bank of India's approval to allow the increase in promoter stake, the bank stated that there was no communication regarding that yet from the RBI or the promoter.
- Average LCR stood at 141% and it would be deployed for accretive purposes from here on.

**Figure 5: Financial summary**

**IndusInd Bank**

**Profit and Loss Statement**

Rsm (Year-end March)	FY25	FY26F	FY27F	FY28F
Total interest earned	486,677	494,914	562,076	652,783
Total Interest Expense	296,364	304,493	341,961	395,530
<b>Net Interest Income</b>	<b>190,313</b>	<b>190,421</b>	<b>220,115</b>	<b>257,253</b>
CEB	47,270	47,392	54,500	62,675
Capital Gains	-12,110	9,250	4,000	4,000
Forex Income	9,690	6,947	7,989	9,187
Others	31,992	22,125	26,529	31,799
<b>Total Non Interest Income</b>	<b>76,842</b>	<b>85,713</b>	<b>93,018</b>	<b>107,662</b>
<b>Total Income</b>	<b>267,155</b>	<b>276,135</b>	<b>313,133</b>	<b>364,915</b>
--Employee Expenses	45,526	50,184	55,203	62,103
--Other Expenses	115,181	124,814	139,792	160,760
<b>Total Operating Expenses</b>	<b>160,707</b>	<b>174,998</b>	<b>194,994</b>	<b>222,863</b>
<b>Pre provision profit</b>	<b>106,449</b>	<b>101,136</b>	<b>118,139</b>	<b>142,052</b>
---Loan Loss Provisions	70,301	66,000	55,000	55,000
---Other Provisions	0	1,845	2,029	2,333
Total provisions	70,301	67,845	57,029	57,333
<b>PBT</b>	<b>36,147</b>	<b>33,291</b>	<b>61,110</b>	<b>84,719</b>
Tax	9,718	8,386	15,400	21,349
<b>PAT</b>	<b>26,429</b>	<b>24,904</b>	<b>45,710</b>	<b>63,370</b>
<b>Core Operating profit</b>	<b>118,617</b>	<b>91,894</b>	<b>114,139</b>	<b>138,052</b>

**Balance Sheet Data**

Rsm (Year-end March)	FY25	FY26F	FY27F	FY28F
Shareholders' equity	644,926	673,212	711,132	762,816
Deposits	4,110,781	4,398,536	5,058,317	5,817,064
Borrowings	537,036	563,887	676,665	811,998
Other Liabilities & Provisions	247,442	267,896	301,645	340,457
<b>Total Liabilities</b>	<b>5,540,184</b>	<b>5,903,532</b>	<b>6,747,759</b>	<b>7,732,335</b>
Cash & Balances with RBI	508,894	392,274	362,198	418,171
Balances with Banks	82,764	99,317	119,180	143,016
Investments	1,144,968	1,143,710	1,360,389	1,531,854
Advances	3,450,186	3,864,209	4,443,840	5,110,416
Fixed Assets	23,558	24,736	25,973	27,271
Other Assets	329,814	379,287	436,180	501,606
<b>Total Assets</b>	<b>5,540,184</b>	<b>5,903,532</b>	<b>6,747,759</b>	<b>7,732,335</b>
Earning Assets	5,186,812	5,499,509	6,285,607	7,203,457

**Capital Adequacy**

CET 1 Ratio	15.1%	14.4%	13.2%	12.4%
Tier 1 Ratio	15.1%	14.4%	13.2%	12.4%
Tier 2 Ratio	1.1%	1.1%	0.9%	0.8%
Capital Adequacy Ratio	16.2%	15.4%	14.2%	13.2%

Source: Company Data, InCred Research

**Per Share Data and Valuation**

Rs (Year-end March)	FY25	FY26F	FY27F	FY28F
<b>Per Share Data</b>				
EPS	33.9	32.0	58.7	81.3
Book Value	827.8	864.1	912.8	979.2
Core Op. Profit	152.3	117.9	146.5	177.2
DPS	0.0	10.0	15.0	15.0
<b>Valuations</b>				
P/E	23.6	25.1	13.7	9.9
Price to Book	1.0	0.9	0.9	0.8
Price to Core Op. Profit	5.3	6.8	5.5	4.5
Dividend Yield	0.0%	1.2%	1.9%	1.9%

**Ratio Analysis**

Year-end March	FY25	FY26F	FY27F	FY28F
<b>Spread Analysis</b>				
Average yield on assets	9.6%	9.4%	9.5%	9.7%
Cost of earning assets	5.8%	5.8%	5.8%	5.9%
Net Interest Margin (Reported)	3.6%	3.5%	3.6%	3.6%
<b>Growth Ratios</b>				
Net Interest Income	-8%	0%	16%	17%
Non Interest Income	-18%	12%	9%	16%
Operating expenses	13%	9%	11%	14%
Core Operating Profit	-21%	-23%	24%	21%
Net Profit	-70%	-6%	84%	39%
EPS	-71%	-6%	84%	39%
Deposits	7%	7%	15%	15%
Advances	1%	12%	15%	15%
Total Assets	8%	7%	14%	15%

**Profitability Ratios**

Core Fee to Asset	1.7%	1.3%	1.4%	1.4%
Return On Equity	4.1%	3.8%	6.6%	8.7%
Return On Assets	0.5%	0.4%	0.7%	0.9%
Return On RWA	0.7%	0.6%	1.0%	1.2%

**Efficiency Ratios**

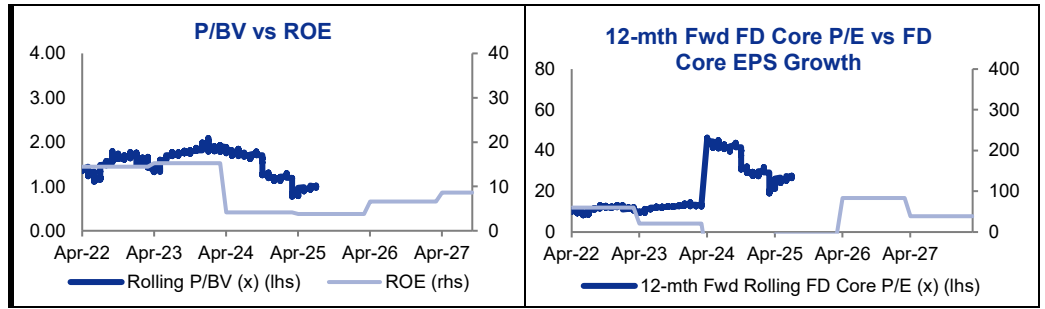
Cost to Income Ratio	60.2%	63.4%	62.3%	61.1%
Expenses/Avg Assets	3.0%	3.1%	3.1%	3.0%

**Asset Quality**

Credit Costs / Advances (bps)	204	186	137	120
Gross NPL	110464	158026	173728	178861
Net NPL	32871	44492	43249	36850
Reserve Coverage	77593	113535	130480	142011
Gross NPL Ratio	3.1%	3.9%	3.8%	3.4%
Net NPL Ratio	1.0%	1.2%	1.0%	0.7%
Coverage Ratio	70%	72%	75%	79%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS



### Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	206,159	190,313	190,421	220,115	257,253
<b>Total Non-Interest Income</b>	<b>93,879</b>	<b>76,842</b>	<b>85,713</b>	<b>93,018</b>	<b>107,662</b>
Operating Revenue	300,038	267,155	276,135	313,133	364,915
<b>Total Non-Interest Expenses</b>	<b>(142,635)</b>	<b>(160,707)</b>	<b>(174,998)</b>	<b>(194,994)</b>	<b>(222,863)</b>
Pre-provision Operating Profit	157,403	106,449	101,136	118,139	142,052
<b>Total Provision Charges</b>	<b>(37,987)</b>	<b>(70,301)</b>	<b>(67,845)</b>	<b>(57,029)</b>	<b>(57,333)</b>
Operating Profit After Provisions	119,415	36,147	33,291	61,110	84,719
<b>Pretax Income/(Loss) from Assoc.</b>					
Operating EBIT (incl Associates)	119,415	36,147	33,291	61,110	84,719
<b>Non-Operating Income/(Expense)</b>					
Profit Before Tax (pre-EI)	119,415	36,147	33,291	61,110	84,719
<b>Exceptional Items</b>					
Pre-tax Profit	119,415	36,147	33,291	61,110	84,719
Taxation	(29,918)	(9,718)	(8,386)	(15,400)	(21,349)
Consolidation Adjustments & Others					
<b>Exceptional Income - post-tax</b>					
Profit After Tax	89,498	26,429	24,904	45,710	63,370
Minority Interests					
Pref. & Special Div					
<b>FX And Other Adj.</b>					
Net Profit	89,498	26,429	24,904	45,710	63,370
Recurring Net Profit					

### Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	87.8%	86.5%	86.0%	87.9%	87.9%
Avg Liquid Assets/Avg Assets	94.2%	94.0%	93.4%	93.2%	93.2%
<b>Avg Liquid Assets/Avg IEAs</b>	<b>111.3%</b>	<b>110.6%</b>	<b>111.3%</b>	<b>109.0%</b>	<b>108.4%</b>
Net Cust Loans/Assets					
<b>Net Cust Loans/Broad Deposits</b>					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
<b>Provision Charge/Avg Cust Loans</b>	<b>1.20%</b>	<b>2.04%</b>	<b>1.86%</b>	<b>1.37%</b>	<b>1.20%</b>
<b>Provision Charge/Avg Assets</b>	<b>0.78%</b>	<b>1.32%</b>	<b>1.19%</b>	<b>0.90%</b>	<b>0.79%</b>
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
<b>Total Gross Loans</b>	<b>3,432,983</b>	<b>3,450,186</b>	<b>3,864,209</b>	<b>4,443,840</b>	<b>5,110,416</b>
Liquid Assets & Invst. (Current)	1,065,267	1,144,968	1,143,710	1,360,389	1,531,854
Other Int. Earning Assets					
Total Gross Int. Earning Assets	4,498,250	4,595,155	5,007,919	5,804,229	6,642,270
<b>Total Provisions/Loan Loss Reserve</b>					
Total Net Interest Earning Assets	4,498,250	4,595,155	5,007,919	5,804,229	6,642,270
Intangible Assets					
<b>Other Non-Interest Earning Assets</b>	<b>261,108</b>	<b>329,814</b>	<b>379,287</b>	<b>436,180</b>	<b>501,606</b>
<b>Total Non-Interest Earning Assets</b>	<b>283,086</b>	<b>353,372</b>	<b>404,022</b>	<b>462,152</b>	<b>528,878</b>
Cash And Marketable Securities	368,016	591,658	491,591	481,378	561,188
<b>Long-term Investments</b>					
Total Assets	5,149,352	5,540,185	5,903,532	6,747,759	7,732,335
Customer Interest-Bearing Liabilities	3,847,929	4,110,782	4,398,536	5,058,317	5,817,064
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities	4,324,044	4,647,817	4,962,424	5,734,981	6,629,062
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	197,337	247,442	267,896	301,645	340,457
Total Liabilities	4,521,381	4,895,259	5,230,319	6,036,627	6,969,519
Shareholders Equity	627,971	644,926	673,213	711,132	762,816
<b>Minority Interests</b>					
Total Equity	627,971	644,926	673,213	711,132	762,816

### Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	17.2%	(7.7%)	0.1%	15.6%	16.9%
Operating Profit Growth	9.7%	(32.4%)	(5.0%)	16.8%	20.2%
Pretax Profit Growth	21%	(70%)	(8%)	84%	39%
Net Interest To Total Income	68.7%	71.2%	69.0%	70.3%	70.5%
Cost Of Funds	6.15%	6.61%	6.34%	6.39%	6.40%
Return On Interest Earning Assets	11.1%	10.7%	10.3%	10.4%	10.5%
Net Interest Spread	4.97%	4.10%	3.97%	4.00%	4.09%
Net Interest Margin (Avg Deposits)	5.72%	4.78%	4.48%	4.66%	4.73%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	24%	66%	67%	48%	40%
Interest Return On Average Assets	4.24%	3.56%	3.33%	3.48%	3.55%
Effective Tax Rate	25.1%	26.9%	25.2%	25.2%	25.2%
Net Dividend Payout Ratio	14.3%		31.3%	25.6%	18.4%
Return On Average Assets	1.84%	0.49%	0.44%	0.72%	0.88%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.