



Nigerian Banks

GTB vs. Zenith: A fiction of Grit and Resilience

GUARANTY: NL

Rating	NEUTRAL
Price	₦45.00
FVE	₦49.02
52-week range	₦40.55- ₦54.71
Market Cap. (₦'bn)	1,324
1-month Avg. Vol	22,771,020
Curr. PE	7.3x

ZENITHBA: NL

Rating	STRONG BUY
Price	₦27.45
FVE	₦35.25
52-week range	₦25.93 - ₦33.51
Market Cap. (₦'bn)	869.68
1-month Avg. Vol	43,776,830
Curr. PE	4.6x

Analyst(s)

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- In this note, we update our earnings estimates and roll forward our target prices (FVE) for Guaranty Trust Bank (GTB) and Zenith Bank (Zenith).
- We think 2018 will be a turning point for the Tier 1 banks. ROE growth is likely to have topped in 2017, and we now factor in a slower growth over the next few years. In the face of lower interest rate environment, cautious loan growth, and capital preservation, we think benign funding cost, asset quality improvement, lower provisioning, and resilience in non-interest revenue (NIR) will be central to earnings over 2018. Also, in a low-growth revenue environment and faced with digital disruption, cost discipline and efficiency improvements will be key drivers of earnings growth and profitability, longer term, for the banks, in our view.
- For GTB and ZENITH, we expect a 200bps average decline in Capital Adequacy Ratio (CAR) due to IFRS implementation. While the banks have guided to a ~10% average loan growth in 2018, we think the reality will still tilt to the very quality names and thus limit potential for loan growth. Consequently, net loan book is expected to expand by average of 3% YoY, with a large part of this reflecting exposure to the \$2.3 billion Project Falcon. Though we see improvement in asset quality, we see the scale of moderation lower than earlier expected, as the banks will likely reclassify some specific loans and make specific loan loss provision on some assets. That said, much of the support to earnings will come from materially lower loan loss provision (avg. -32% YoY). Although NIR will be lower YoY, due to materially lower FX revaluation gains, we see some resilience on the trading and fee income leg. NIMs will be largely flat despite collective decline in asset yields, as funding cost will track lower YoY with some expansion in CASA deposit expected. Balance sheet is likely to remain liquid with expansion in investment securities book expected to support interest income (in absolute terms). Irrespective, key risk to our assumption are: i) steeper moderation in yields than expected; ii) higher than expected loan growth; iii) materially lower income on the

fee and trading lines; iv) larger than expected impact of IFRS 9; and v) translation of FCY at NAFEX (currently: NIFEX).

Table 1: Valuation Summary

	Curr. Price	FVE	Upside	Rating	P/E (x)		P/BV (x)		Div. Yield		ROE	
					Current	2018	Current	2018	FY 17	FY 18	FY 17	FY 18
GTB	₦45.00	₦49.02	8.93%	NEUTRAL	7.20	7.25	2.49	1.81	5.1%	6.4%	27.3%	24.9%
ZENITH	₦27.45	₦35.25	28.42%	STRONG BUY	4.58	4.74	1.17	0.95x	9.9%	11.6%	21.7%	20.7%

Source: Company Financials, ARM Research

- We revise our stance on Zenith to **‘STRONG BUY’** from **‘OVERWEIGHT’** earlier, following share price decline and having revisited our investment case after FY 17 and Q1 18 results. We expect the Bank’s earnings to expand 2% YoY to ₦5.78/share for FY 18 due to: i) substantial compression in funding cost (-92bps YoY to 4.3%) as the decline in yields allows the bank to rollover term-deposit at lower rates; and ii) improving asset quality with NPL ratio expected to moderate 50bps YoY to 4.2%. Also, we expect Cost of Risk (CoR) to decline 118bps YoY to 3.5% implying loan loss provision of ₦74 billion (-25% YoY from ₦98 billion in FY 17). However, we estimate a 14% YoY decline in non-interest revenue (NIR), largely reflecting lower FX revaluations gains, and a 30% decline in trading income. Consequently, PBT should print at ₦208 billion (FY 17: ₦203 billion). We think loan book will fall materially short of management guidance (10% YoY), almost flat at 2% YoY, but see an expansion in investment securities (+7.5% YoY). Deposit book should expand 4% YoY. In our view, Zenith’s relatively attractive valuation and discount relative to GTB could see the stock re-rate in the short term. Longer term, modest growth in loan book (avg: 7%) and growth in fee income should support earnings growth. Based on our estimates, our fair value for Zenith, assuming a cost of capital of 21% and long-term growth rate of 5%, is 1.50x its forward book value. This would imply 30% upside potential to its current valuation of 1.17x.
- Elsewhere, we downgrade our rating on GTB from **‘OVERWEIGHT’** to **‘NEUTRAL’** on the back of a drop in our FVE to ₦49.02/share (previously: ₦55.20/share), following: i) downward revision to net loan growth in FY 17 to 3.3% YoY (previously: 7%); and ii) an upward revision to NPL ratio and CoR to 5% and 0.5% respectively (previously: 3.5% and 0.3%), albeit at healthy levels. Consequently, loan loss provision should print at ₦7.5 billion (-39% YoY). Irrespective, we revise our NIR higher to ₦72 billion, though lower by 20% YoY due to sizable decline in FX revaluation gains. However, our upward revision in NIR reflects steady growth in fee income (card related fees, account maintenance fee, and FX commission) as well as trading income on treasury bills trading and FX transactions relating to forward position which are pure trade transactions entered into between the customers of the Bank and CBN and awaiting settlement in CBN forward

window. On the funding income and expense leg, we expect a 9% YoY increase in deposit and a 120bps YoY expansion in CASA deposit to 81%. NIMs should print at 9.2% (previously: 9.0%) with net interest income printing at ₦268 billion (+9% YoY). Consequently, we forecast gross earnings of ₦427 billion (+2.4% YoY) with cost to income ratio of 37.6% (+80bps YoY). Hence, we expect PBT of ₦204 billion (management guidance: ₦205 billion, FY 17: ₦200 billion). EPS should print at ₦6.12 (6% YoY).

- While GTB remains a compelling investment case, we think growth is topping out and the valuation gap relative to Zenith will shrink a touch in 2018, and thus recommend a tactical approach to exposure. GTB trades at a current and 2018 P/B of 2.4x and 1.8x relative to Zenith of 1.2x and 0.9x respectively, implying a contraction in valuation gap to 86.5% (currently: 108.5%). Based on our estimates, our fair value for GTB, assuming a cost of capital of 21% and long-term growth rate of 5%, is 2.7x its forward book value. This would imply 11% upside potential to its current valuation of 2.44x. Both banks are expected to report lower ROAE in FY 18 of 26.3% (GTB) and 20.6% (ZENITH) relative to 28.3% and 23.5% in FY 17.

Table 2: Financial Highlights

	GTB			ZENITH		
	FY 18	FY 17	Mgt. Guidance	FY 18	FY 17	Mgt. Guidance
Net Loans (₦mn)	1,496,611	1,448,533	1,593,386	2,104,249	2,100,362	2,310,398
Deposit (₦mn)	2,244,544	2,062,048	2,474,458	3,589,707	3,437,915	3,609,810
Total Assets (₦mn)	3,734,923	3,351,097	-	5,849,932	5,593,253	-
Total Liabilities (₦mn)	3,012,566	2,725,929	-	4,946,836	4,773,595	-
Shareholder's Fund (₦mn)	722,357	625,168	-	903,095	819,658	-
BVPS	24.54	21.24	-	28.76	26.11	-
NPL Ratio	5.00%	7.70%	<5.0%	4.2%	4.7%	3.5%
Cost of Risk	0.5%	0.8%	<1.0%	3.5%	4.7%	3.1%
Loans/Deposit	66.7%	70.2%	70.0%	58.6%	61.1%	65%
Capital Adequacy Ratio	-	25.7%	22.0%	23.7%	22.2%	24.2%
Net Interest Margin	9.2%	9.1%	9.0%	5.4%	5.3%	8.69%
Cost to Income Ratio	37.6%	36.9%	40.0%	46.1%	42.9%	51.8%
Gross Earnings (₦mn)	427,216	417,036	-	596,421	587,215	-
PBT (₦mn)	204,679	200,242	205,000	208,656	203,461	210,000
PAT (₦mn)	180,117	170,469	-	181,531	177,933	182,700
EPS (₦)	6.12	5.79	-	5.78	5.67	5.82
ROAE	26.7%	30.2%	>25%	21.1%	23.3%	23.4%
ROAA	5.1%	5.3%	>5.0%	3.2%	3.4%	3.45%

Source: Company Financials, ARM Research

Figure 1: Gross earnings composition (₦' million) - GTB

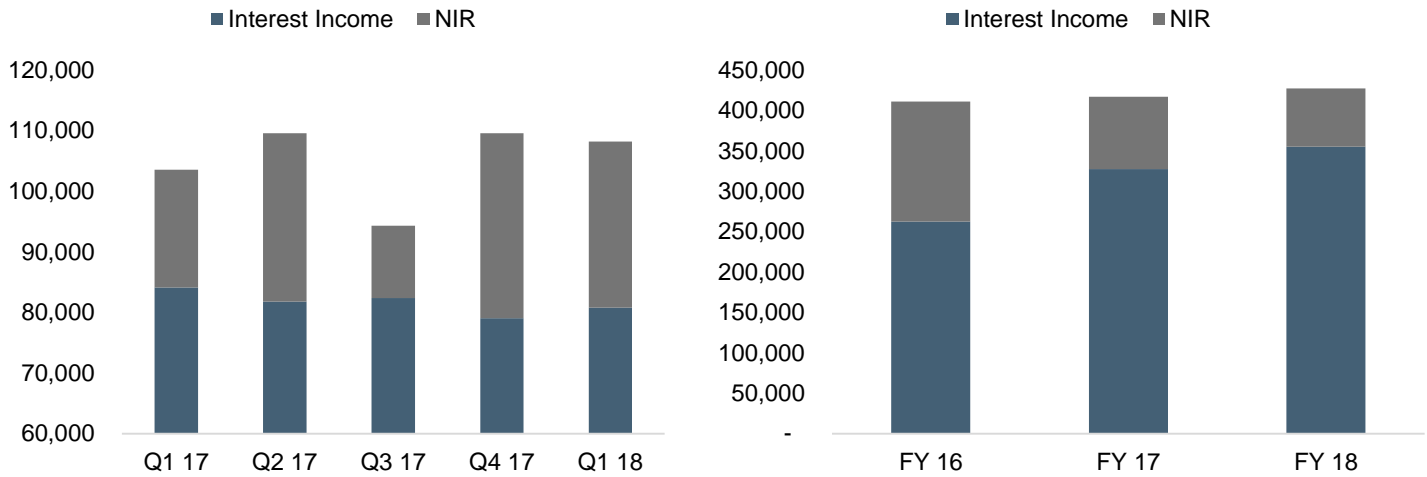


Figure 2: Gross earnings composition (₦' million) – Zenith Bank

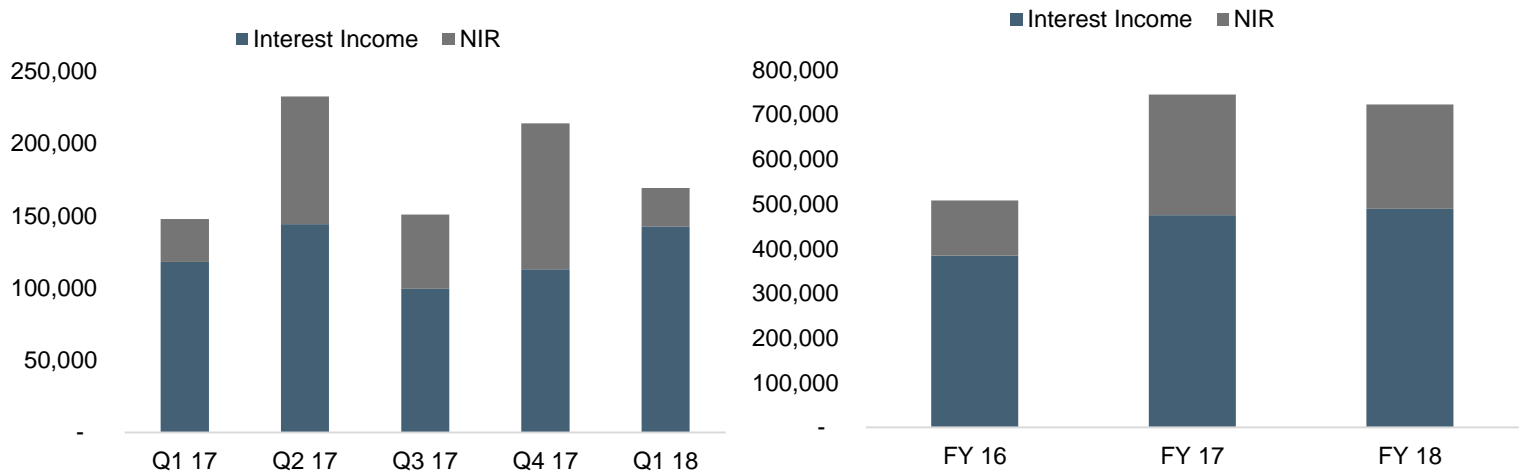


Figure 3: Interest Income Composition (₦' million) – GTB

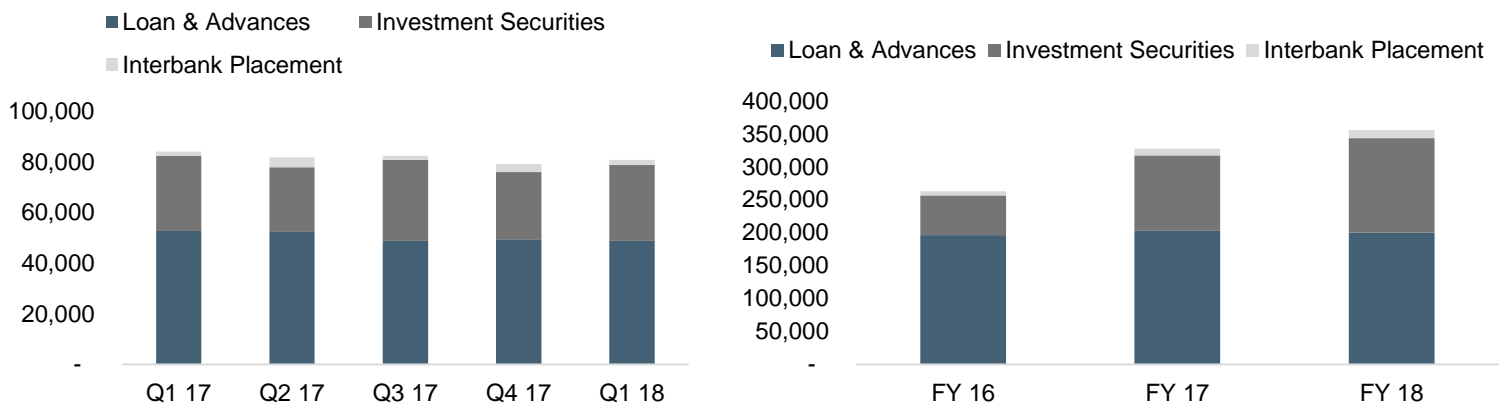


Figure 4: Interest Income Composition (₦' million) – Zenith Bank

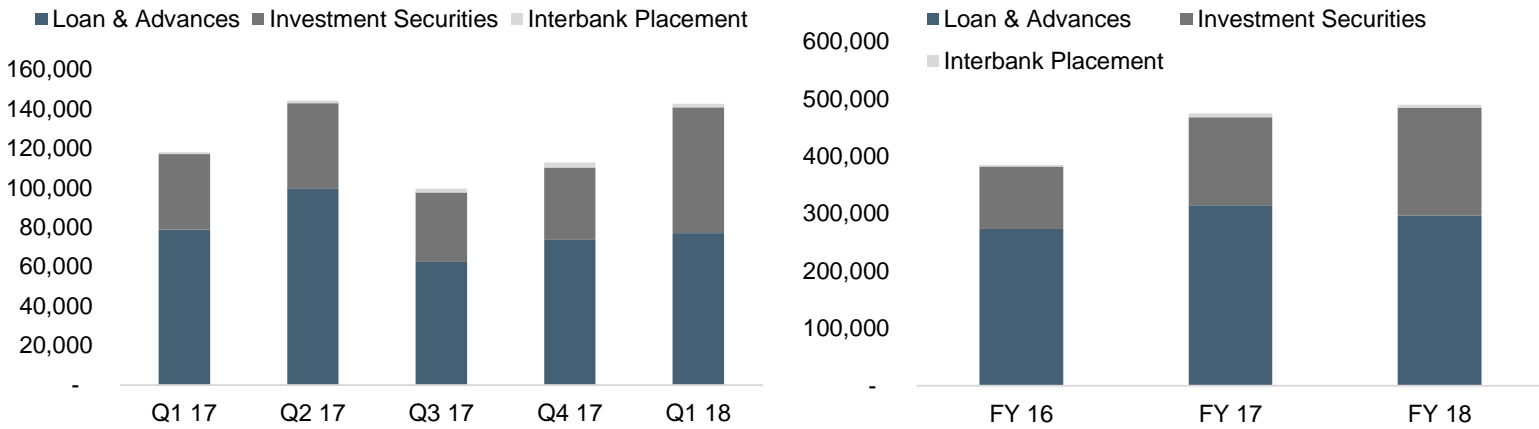
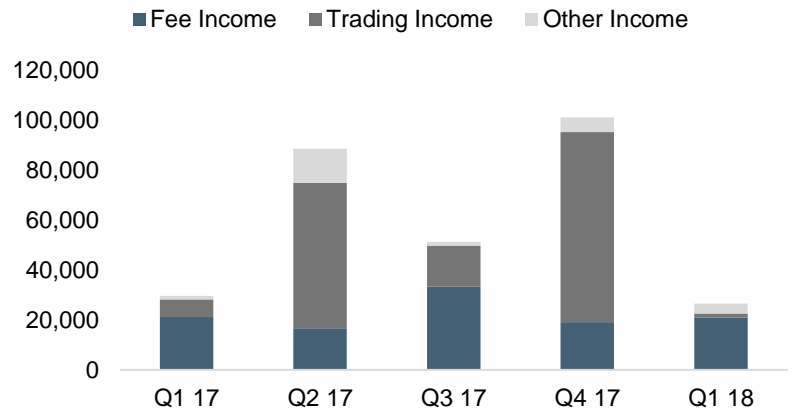
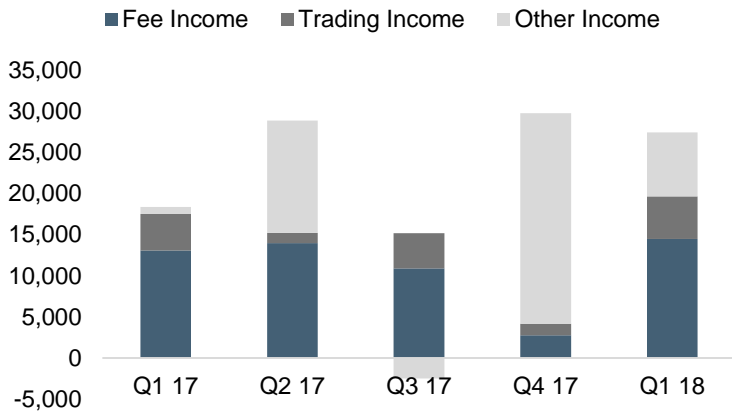


Figure 5: NIR Composition (₦' million) – GTB

Figure 6: NIR Composition (₦' million) – Zenith Bank



Source: Company Financials, ARM Research

Figure 7: Loan Composition – GTB (FY 17)

Figure 8: NPL Composition – GTB (FY 17)

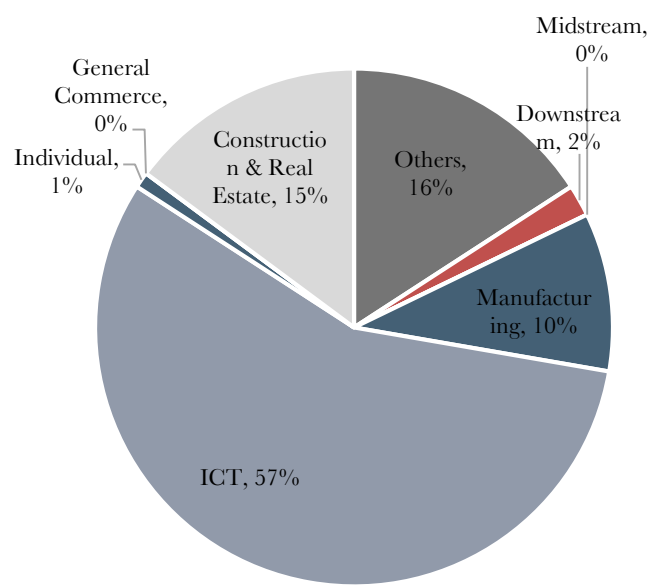
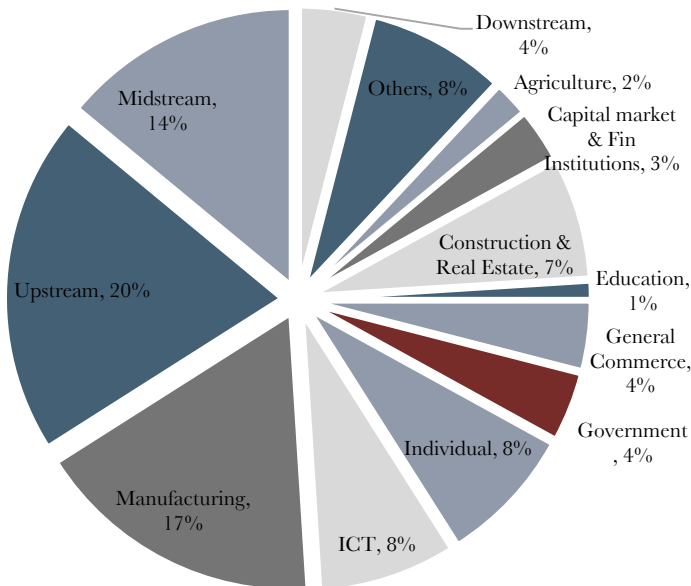
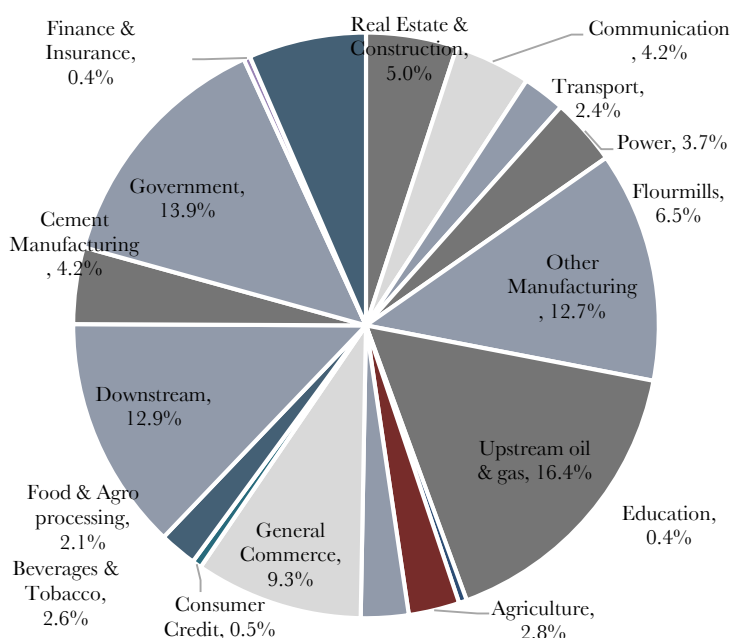
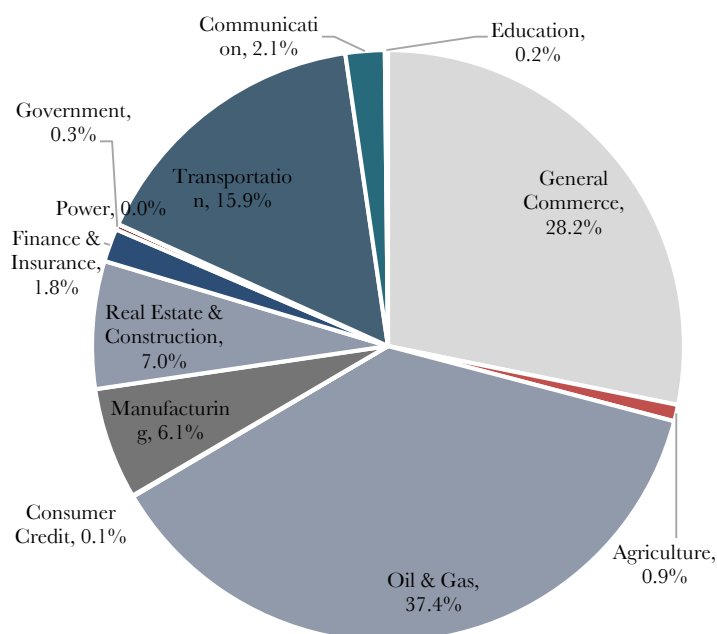


Figure 9: Loan Composition – Zenith Bank (FY 17)



Source: Company Financials, ARM Research

Figure 10: NPL Composition – Zenith Bank (FY 17)



Finishing Strong in 2017

- Over 2017, GTB and Zenith saw a decent boost in net profit of 34% and 37% respectively. Irrespective, earnings driver differed substantially. While GTB's earnings growth reflected higher NIM led topline growth as well as lower loan loss provisioning, earnings growth of Zenith was largely driven by robust income on the trading and derivative line.
- Zenith's strong EPS growth over 2017 (+37% YoY) largely stemmed from strong trading income on treasury bills (+928% YoY to ₦88.9 billion) and FX (+242% YoY to ₦68.7 billion) which drove robust growth in non-interest revenue (NIR) to ₦270 billion (+119% YoY). The sizable trading income on both treasury bills and FX emanated from its derivative position (est. notional value: \$2.5 billion) with FX income representing net gains on forward contracts while treasury bills income reflects trading income from its swap position. On the negative, despite a fairly liquid balance sheet and higher yields on investment securities and loans, NIM shrank 7bps YoY as funding costs tracked higher. Looking at the breakdowns, higher interest expense stemmed from increased cost on borrowings (+142% YoY) which Management linked to the impact of the additional \$500 million Eurobond issued in 2017 even as elevated interest rate environment expanded funding cost on current deposit (+143% YoY).
- For GTB, EPS growth over 2017 (+34% YoY) mainly reflected higher interest income (25% YoY to ₦327 billion) driven by higher yields on investment securities which drove overall asset yields

190bps higher YoY. Consequently, despite a rise in funding cost (+64bps YoY to 3.4%), NIMs expanded by 154bps YoY to 9.0%. Elsewhere, despite strong growth in trading income (117% YoY), a 65% drop in other income (mainly due to materially lower FX revaluation gains), drove NIR lower by 40% YoY). Irrespective, material decline in loan loss provision (-81% YoY) supported earnings growth over the period.

Financial Summary of FY 17 result

GTB Plc

N'million	FY 2017	FY 2016	YoY	Q4 2017	Q3 2017	QoQ
Gross Earnings	417,037	411,159	1.4%	109,581	94,324	16.2%
Net Interest Income	246,663	195,400	26.2%	57,097	60,029	-4.9%
Non-Interest Revenue	89,703	148,665	-39.7%	30,518	11,938	155.6%
Operating Expenses	(123,955)	(113,639)	9.1%	(33,593)	(21,891)	53.5%
Impairment	(12,169)	(65,290)	-81.4%	(3,812)	(1,144)	233.2%
PBT	200,242	165,136	21.3%	50,209	48,932	2.6%
PAT	170,470	132,281	28.9%	44,892	41,898	7.1%
EPS	6.03	4.49		1.53	1.42	
DPS	2.70	2.00				
N'million	FY 2017	FY 2016	YoY	Q3 2017	QoQ	
Loans	1,448,533	1,589,430	-8.9%	1,428,200	1.4%	
Total Assets	3,351,097	3,116,393	7.5%	3,212,944	4.3%	
Deposits	2,062,048	1,986,246	3.8%	1,897,589	8.7%	
Total Liabilities	2,725,929	2,611,491	4.4%	2,631,035	3.6%	
Net Assets	625,168	504,903	23.8%	581,909	7.4%	
BVPS	21.24	17.16	23.8%	19.77	7.4%	
	FY 2017	FY 2016	YoY (pps)	Q4 2017	Q3 2017	YoY (pps)
Assets Yields	12.1%	11.0%	1.0	11.3%	12.4%	(1.0)
WACF	3.3%	3.0%	0.3	3.6%	3.9%	(0.3)
Net Interest Margin	9.1%	8.2%	0.9	10.8%	11.7%	(0.9)
Cost-Income Ratio	36.9%	33.0%	3.8	38.3%	30.4%	7.9
Cost of Risk	0.8%	4.1%	-3.3	1.1%	0.3%	0.7
ROE	27.3%	26.2%	1.1	29.8%	29.9%	(0.2)
CAR	27.0%	23.0%	4.0			

Zenith Bank Plc

N'million	FY 2017	FY 2016	YoY	Q4 2017	Q3 2017	QoQ
Gross Earnings	587,215	507,997	15.6%	137,758	134,335	2.5%
Net Interest Income	257,991	240,179	7.4%	56,499	62,530	-9.6%
Non-Interest Revenue	270,561	123,440	119.2%	101,084	51,294	97.1%
Operating Expenses	(226,864)	(174,521)	30.0%	(55,500)	(48,800)	13.7%
Impairment	(98,227)	(32,350)	203.6%	(51,174)	(4,655)	999.3%
PBT	203,461	156,748	29.8%	50,909	60,369	-15.7%
PAT	177,933	129,652	37.2%	48,698	53,918	-9.7%
EPS	5.67	4.13		1.55	1.72	
DPS	2.45	2.02				
N'million	FY 2017	FY 2016	YoY	Q3 2017	QoQ	
Loans	2,100,362	2,289,365	-8.3%	2,155,749.00	-2.6%	
Total Assets	5,593,253	4,739,825	18.0%	5,131,818.00	9.0%	
Deposits	3,437,915	2,983,621	15.2%	3,062,214.00	12.3%	
Total Liabilities	4,773,595	4,035,360	18.3%	4,364,128.00	9.4%	

Net Assets	819,658	704,465	16.4%	767,690.00	6.8%	
BVPS	26.11	22.44	16.4%	24.45	6.8%	
	FY 2017	FY 2016	YoY (pps)	Q4 2017	Q3 2017	YoY (pps)
Assets Yields	9.7%	9.2%	0.5	8.5%	8.2%	0.3
WACF	5.2%	4.2%	1.1	5.0%	3.6%	1.4
Net Interest Margin	5.3%	5.7%	(0.5)	5.0%	6.0%	(1.0)
Cost-Income Ratio	42.9%	48.0%	(5.1)	35.2%	42.9%	(7.7)
Cost of Risk	4.7%	1.4%	3.3	9.7%	0.9%	8.9
ROE	21.7%	18.4%	3.3	23.8%	37.7%	(13.9)
CAR	27.0%	23.0%	4.0			

Decent start to 2018...but some twist to earnings driver

- GTB and Zenith released first quarter result showing some resilience in performance, and more surprisingly, a significant change in earnings driver when compared to prior quarter. For both banks, while loan book declined QoQ, investment securities expanded QoQ indicating a premeditated strategy to grow the treasury bills book in the face of lower yields, thus supporting interest income in absolute terms. Loan loss provision declined materially QoQ with asset quality showing sizable improvement relative to prior quarter.
- Zenith reported EPS of ₱1.50 (-3.3% QoQ) due to substantially lower NIR (-74% QoQ), emanating from lower trading (-98% QoQ) and FX revaluation gains (-37% QoQ). That said, NIMs expanded 360bps QoQ to 8.6% reflecting higher asset yield (+220bps QoQ to 10.7%) and lower funding cost (-93bps QoQ to 4.1%). The higher yield on assets emanated from a double-fold increase in interest income from treasury bills, but not philosophical of falling interest rates. Operating expenses expanded 15% QoQ as AMCON charge of ₱12 billion (c.50% of annual charge) was booked in the period. Reflecting the foregoing as well as lower NIR, Cost to Income ratio deteriorated to 52% (Q4 17: 35%). Asset quality improved as evident in Cost of Risk – which declined to 1.0% (Q4 17: 9.7%) – and slight improvement in NPL ratio to 4.3% (-40bps QoQ).
- Guaranty Trust Bank (GTB) first quarter result was quite impressive as strong growth in fee and trading income as well as lower provisioning saved the day for PBT which expanded 4.8% QoQ to ₱52.6 billion. Irrespective, higher payment to the taxman (+50% QoQ) dragged EPS marginally lower to ₱1.52 (Q4 17: ₱1.53). In terms of the earnings, Net interest income increase of 4.5% QoQ largely reflected the decline in interest expense (-4% QoQ). Irrespective, net interest margin (NIM) moderated to 10.09% (Q4 17: 10.8%) on the back of a 60bps QoQ moderation in asset yields. Further, despite a sharp jump in fee and trading income, lower FX revaluation gain drove a 10% QoQ decline in non-interest revenue (NIR) which moderated the 57% QoQ decline in loan loss provisioning. Much of the jump in NIR emanated from a 370% QoQ increase in fee income as well as a 268% QoQ expansion in trading income. A key driver for Q1 earnings was the sharp decline (-57% QoQ) in loan loss provision with Cost of Risk contracting to 0.11% (Q4 2017: 1.1%). The

decline reflecting zero provisioning on the specific and collective leg over the quarter. However, in line with IFRS 9, GTB booked ₹1.5 billion on 12-month expected credit losses (ECL) and ₹581 million life-time ECL impairment. According to Management, post Q1 2018 result, 65% of exposure to 9mobile has been provided for. Thus, NPL ratio printed at 6.2% (Q4 2017: 7.7%)

Summary of result and forecasts

GTB Plc

Balance Sheet	2017	2018E	2019E	2020E	2021E
Assets					
Inv. Securities	696,881	849,716	891,627	918,376	945,927
Net loans	1,448,533	1,496,611	1,688,305	1,865,804	2,005,686
Gross loans					
Interest-earning assets	2,788,139	3,053,286	3,357,665	3,639,782	3,892,889
Total assets	3,351,097	3,734,923	4,066,164	4,408,732	4,765,983
Liabilities					
Interbank	85,431	135,261	144,729	154,860	165,700
Borrowings	312,624	366,935	377,943	389,281	400,960
Deposits	2,062,048	2,244,544	2,454,156	2,661,937	2,878,216
Interest-bearing liabilities	2,460,102	2,746,739	2,976,828	3,206,078	3,444,876
Total liabilities	2,725,929	3,012,566	3,242,655	3,471,905	3,710,703
Shareholders' Equity	625,168	722,357	823,509	936,827	1,055,280

Income Statement	2017	2018E	2019E	2020E	2021E
Interest Income	327,334	355,346	379,489	403,673	412,890
Interest Expense	(80,670)	(86,954)	(91,272)	(90,880)	(93,447)
Net Interest Income	246,663	268,392	288,216	312,794	319,442
Net Fee Income	40,732	47,410	52,378	55,819	59,277
Trading Income	11,339				
Other Income	37,632				
Gross Earnings	417,037	427,217	459,385	491,138	510,142
Staff Costs	32,832	34,132	36,887	39,041	41,198
Other Costs	88,830	93,968	96,813	100,579	102,881
Total Costs	121,662	128,100	133,700	139,620	144,079
PBT	170,470	180,118	200,341	224,436	234,607
Provision Charge	(12,169)	(7,483)	(6,753)	(5,597)	(6,017)
Tax	(29,772)	(24,562)	(27,319)	(30,605)	(31,992)
Minorities	(867)	(1,801)	(2,003)	(2,244)	(2,346)
Net Profit	170,470	180,118	200,341	224,436	234,607
Dividend Paid	(79,464)	(83,809)	(99,169)	(111,096)	(116,130)

Key YoY growth rates (%)	2017	2018E	2019E	2020E	2021E
Loans	-8.9%	3.3%	12.8%	10.5%	7.5%
Interest Earning Assets	5.8%	9.5%	10.0%	8.4%	7.0%
Deposits	3.8%	8.9%	9.3%	8.5%	8.1%
Interest Bearing Liabilities	0.1%	11.7%	8.4%	7.7%	7.4%
Assets	7.5%	11.5%	8.9%	8.4%	8.1%
Gross Earnings	1.4%	2.4%	7.5%	6.9%	3.9%
Costs	9.1%	3.3%	4.4%	4.4%	3.2%
PBT	21.3%	2.2%	11.2%	12.0%	4.5%
PAT	28.9%	5.7%	11.2%	12.0%	4.5%
EPS	28.9%	5.7%	11.2%	12.0%	4.5%

Per-share data (N)	2017	2018E	2019E	2020E	2021E
No of common shares (mn)	28,113	28,113	28,113	28,113	28,113
EPS	5.79	6.12	6.81	7.63	7.97
DPS	2.70	2.85	3.37	3.77	3.95
BVPS	21.24	24.54	27.98	31.83	35.86

Balance-sheet ratios (%)	2017	2018E	2019E	2020E	2021E
Loan/Assets	43.2%	40.1%	41.5%	42.3%	42.1%
Deposit/Liabilities	75.6%	74.5%	75.7%	76.7%	77.6%
Loans/Deposits	70.2%	66.7%	68.8%	70.1%	69.7%
Assets/Equity	5.36	5.17	4.94	4.71	4.52

Asset Quality	2017	2018E	2019E	2020E	2021E
NPLs					
NPLs/Gross Loans (%)	7.7%	5.0%	4.0%	3.5%	3.0%
Credit change (%)					

Margins (%)	2017	2018E	2019E	2020E	2021E
Asset Yield	12.1%	12.2%	11.8%	11.5%	11.0%
WACF	3.3%	3.3%	3.2%	2.9%	2.8%
NIM	9.10%	9.19%	8.99%	8.94%	8.48%

Costs (%)	2017	2018E	2019E	2020E	2021E
Cost/Income	36.9%	37.6%	36.3%	34.9%	34.6%
Effective tax rate	14.9%	12.0%	12.0%	12.0%	12.0%

Profitability ratios (%)	2017	2018E	2019E	2020E	2021E
RoAE	30.2%	26.7%	25.9%	25.5%	23.6%
RoAA	5.3%	5.1%	5.1%	5.3%	5.1%

Source: Company Financials, ARM Research

Zenith Bank Plc

Balance Sheet	2017	2018E	2019E	2020E	2021E
Assets					
Inv. Securities	1,733,778	1,500,288	1,549,607	1,600,877	1,654,186
Net loans	2,596,165	2,610,801	2,817,321	3,092,359	3,288,766
Gross loans					
Interest-earning assets	5,287,606	5,541,007	5,813,035	6,100,462	6,443,919
Total assets	5,593,253	5,849,932	6,135,202	6,438,157	6,798,390
Liabilities					
Borrowings	1,072,461	1,093,910	1,115,788	1,138,104	1,195,009
Deposits	3,437,915	3,589,707	3,770,542	3,957,676	4,160,167
Interest-bearing liabilities	4,510,376	4,683,618	4,886,330	5,095,780	5,355,176
Total liabilities	4,773,595	4,946,837	5,149,549	5,358,999	5,618,395
Shareholders' Equity	819,658	903,096	985,653	1,079,157	1,179,994
Income Statement					
Interest Income	474,628	489,381	514,038	532,336	532,975
Interest Expense	(216,637)	(198,664)	(195,929)	(192,763)	(183,344)
Net Interest Income	257,991	290,717	318,109	339,573	349,631
Net Fee Income	90,143	107,040	120,804	129,366	135,834

Trading Income	157,974				
Other Income	22,444	126,293	88,405	79,564	83,543
Gross Earnings	587,215	596,422	634,843	661,701	668,809
Staff Costs	64,459	73,268	77,701	80,047	82,465
Other Costs	162,405	168,477	177,291	186,724	196,681
Total Costs	226,864	241,745	254,992	266,772	279,146
PBT	203,461	208,656	215,191	243,723	262,838
Provision Charge	(98,227)	(73,649)	(57,136)	(38,008)	(27,024)
Tax	(25,528)	(27,125)	(32,279)	(36,558)	(39,426)
Minorities	-	363	366	414	447
Net Profit	177,933	181,531	182,912	207,165	223,412
Dividend Paid	(84,771)	(100,042)	(100,803)	(114,168)	(123,122)

Key YoY growth rates (%)	2017	2018E	2019E	2020E	2021E
Loans	-8.3%	0.2%	8.6%	10.9%	6.6%
Interest Earning Assets	17.4%	4.8%	4.9%	4.9%	5.6%
Deposits	15.2%	4.4%	5.0%	5.0%	5.1%
Interest Bearing Liabilities	20.2%	3.8%	4.3%	4.3%	5.1%
Assets	18.0%	4.6%	4.9%	4.9%	5.6%
Gross Earnings	15.6%	1.6%	6.4%	4.2%	1.1%
Costs	30.0%	6.6%	5.5%	4.6%	4.6%
PBT	29.8%	2.6%	3.1%	13.3%	7.8%
PAT	37.2%	2.0%	0.8%	13.3%	7.8%
EPS	37.2%	2.0%	0.8%	13.3%	7.8%

Per-share data (N)	2017	2018E	2019E	2020E	2021E
No of common shares (mn)	31,396	31,396	31,396	31,396	31,396
EPS	5.67	5.78	5.83	6.60	7.12
DPS	2.70	3.19	3.21	3.64	3.92
BVPS	26.11	28.76	31.39	34.37	37.58

Balance-sheet ratios (%)	2017	2018E	2019E	2020E	2021E
Loan/Assets	37.6%	36.0%	37.3%	39.4%	39.8%
Deposit/Liabilities	72.0%	72.6%	73.2%	73.9%	74.0%
Loans/Deposits	61.1%	58.6%	60.6%	64.0%	65.0%
Assets/Equity	6.82	6.48	6.22	5.97	5.76

Asset Quality	2017	2018E	2019E	2020E	2021E
NPLs					
NPLs/Gross Loans (%)	4.7%	4.2%	3.5%	3.0%	3.0%

Margins (%)	2017	2018E	2019E	2020E	2021E
Asset Yield	9.7%	9.0%	9.1%	8.9%	8.5%
WACF	5.2%	4.3%	4.1%	3.9%	3.5%
NIM	5.27%	5.37%	5.60%	5.70%	5.57%

Costs (%)	2017	2018E	2019E	2020E	2021E
Cost/Income	42.9%	46.1%	48.4%	48.6%	49.1%
Effective tax rate	12.5%	13.0%	15.0%	15.0%	15.0%

Profitability ratios (%)	2017	2018E	2019E	2020E	2021E
RoAE	23.3%	21.1%	19.4%	20.1%	19.8%
RoAA	3.4%	3.2%	3.1%	3.3%	3.4%

Source: Company Financials, ARM Research

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