

# Financials - Banks

Month	SCBs		
	WALR – O/s Loans	WALR – Fresh Loans	WATDR
May-24	9.86	9.45	6.99
Jun-24	9.89	9.32	7.00
Jul-24	9.89	9.40	7.00
Aug-24	9.89	9.41	7.01
Sep-24	9.88	9.37	7.04
Oct-24	9.88	9.54	7.04
Nov-24	9.87	9.40	7.06
Dec-24	9.86	9.25	7.08
Jan-25	9.85	9.32	7.09
Feb-25	9.78	9.40	7.10
Mar-25	9.75	9.35	7.11
Apr-25	9.68	9.26	7.11
May-25	9.67	9.20	7.07

Month	PSBs		
	WALR – O/s Loans	WALR – Fresh Loans	WATDR
May-24	9.21	8.60	6.99
Jun-24	9.21	8.46	7.00
Jul-24	9.20	8.55	7.03
Aug-24	9.20	8.60	7.05
Sep-24	9.21	8.57	7.07
Oct-24	9.19	8.71	7.08
Nov-24	9.19	8.59	7.10
Dec-24	9.18	8.54	7.12
Jan-25	9.17	8.59	7.15
Feb-25	9.10	8.68	7.16
Mar-25	9.09	8.66	7.16
Apr-25	9.02	8.46	7.15
May-25	9.00	8.38	7.12

Month	Private Banks		
	WALR – O/s Loans	WALR – Fresh Loans	WATDR
May-24	10.76	10.13	7.10
Jun-24	10.83	10.31	7.09
Jul-24	10.84	10.34	7.09
Aug-24	10.84	10.19	7.08
Sep-24	10.83	10.33	7.11
Oct-24	10.83	10.35	7.13
Nov-24	10.83	10.31	7.13
Dec-24	10.82	10.16	7.15
Jan-25	10.81	10.20	7.15
Feb-25	10.75	10.24	7.15
Mar-25	10.71	10.32	7.16
Apr-25	10.63	10.08	7.21
May-25	10.65	10.15	7.19

## Private Banks showing resilience in fresh loan yields

### PSBs witness a sharper decline in outstanding and fresh loans

- The Weighted Average Lending Rate (WALR) on fresh loans surprisingly increased for PVBs by 7bp MoM in May'25, as banks have adjusted their spreads in loans, while for PSBs, it decreased 8bp MoM. As a result, sectoral-level fresh rupee loan yield declined 6bp MoM (vs a decline of 5bp/9bp in Mar'25/Apr'25).
- WALR on O/S loans for the system declined marginally by 1bp MoM (3M decline at 11bp), as PVBs' WALR surprisingly increased 2bp MoM (3M decline of 10bp) and PSBs' WALR decreased 2bp MoM (3M decline of 10bp).
- The Weighted Average Term Deposit Rate (WATDR) for the system declined marginally by 4bp MoM to 7.07%. During Feb-May'25, the WATDR declined 3bp to 7.07%, as banks have reduced their peak TD rates to partially offset the impact of declining yields amid cuts.
- The full impact of the 100bp repo rate cut is likely to reflect in NIMs during 1H. In contrast, PSBs, which typically operate on a T+1 repricing model, are expected to experience NIM contraction earlier, in 1Q and 2Q.
- 3QFY26 is likely to emerge as the key inflection point for banks, with margins stabilizing and earnings set to rebound. Easing funding costs, CRR-driven liquidity support, and credit cost normalization will collectively drive this recovery.
- Our top picks are ICICI, HDFCB and SBIN.

### Private Banks showing significant resilience: WALR on fresh and O/S loan increases

- **WALR on fresh loans for the system declined 6bp MoM** (down 5bp/9bp in Mar/Apr'25), with PVBs witnessing an increase of 7bp MoM amid an increase in spreads and PSBs recording a decline of 8bp MoM. During Feb-May'25, the WALR on fresh loans reduced 9bp for PVBs and 30bp for PSBs, suggesting that PVBs have better managed the rate cuts by effectively increasing spreads.
- With a cumulative rate cut of 100bp, the spread of fresh rupee loans over the repo rate has increased to 415bp for PVBs (the highest premium since Aug'22). For PSBs, it has increased to 238bp. **Data suggests that PSBs have opted for lower rates, whereas PVBs have strategically increased their spreads to offset the impact of rate cuts.**
- **WALR on O/S loans declined marginally by 1bp MoM** to 9.67% (vs a 3bp/7bp MoM decline in Mar/Apr'25). Notably, data for May'25 surprised positively, with PVBs reporting a marginal 2bp increase, while PSBs marked a 2bp decline. Over the past three months, WALR on O/S loans has declined 10bp for both PSBs and PVBs.
- The one-year MCLR for most PVBs declined 15-60bp, with ICICI Bank recording the highest reduction of 60bp. In contrast, PSBs saw a marginal increase of 5-25bp over the past year, with SBI being the highest at 25bp.

### WATDR trend reverses as the impact of rate cut begins to flow through

- **WATDR declined marginally by 4bp MoM in May'25**, with PSBs reporting a 3bp decline and PVBs reporting a 2bp decline. During Feb-May'25, WATDR for PSBs declined 4bp, while for PVBs, it increased 4bp.
- Although the data does not directly reflect changes in SA rates, most banks have implemented SA rate cuts in two phases—following the second 25bp repo rate cut and the subsequent 50bp reduction. These SA rate cuts have ranged from

25bp to 50bp across banks, with some banks reducing rates by up to 100bp in select deposit buckets (refer to Exhibit 12).

- With TD rate cuts implemented in Jun'25—ranging from 20bp to 100bp for most banks (refer to Exhibit 14)—the impact on funding costs is expected to flow through with a lag. As a result, we expect WATDR to decline more meaningfully in the second half of the fiscal year.

### Lending yields to suppress; NIMs to bottom out in 2Q/3Q

- With a cumulative 100bp repo rate cut already implemented, banks' portfolio yields, both on fresh loans and outstanding loans (WALR), have come under pressure. As the full impact of these deep rate cuts continues to transmit through the system, most banks are likely to see the effect play out in 2Q and 3Q, weighing on their margins in the near term.
- While **WALR on both fresh and outstanding loans has declined** over the past three months, the dip in WATDR has been relatively limited. Reductions in SA and TD rates are expected to become more visible starting from 2Q and further into the second half of the year.
- We maintain our view that NIMs are likely to decline in 1Q and 2Q, potentially bottoming out by 2Q—or 3Q for select banks—before seeing some recovery thereafter as the lagged benefits of deposit rate cuts begin to materialize.

### 3QFY26 to act as inflection point – margins to stabilize; earnings to rebound

A gradual but tangible improvement is expected from 2HFY26 onwards, which could serve as the inflection point for the sector. The anticipated rebound is underpinned by three key factors:

- 1) **Deposit cost repricing:** As banks continue to reset TD rates (with cuts of 20–100bp already underway) and cut savings deposit rates, funding cost pressures are expected to ease. This is expected to provide some relief to NIMs from 3QFY26 onwards.
- 2) **CRR cut impact:** The phased reduction in CRR by 100bp, starting Sept'25, will inject durable liquidity (estimated at INR2.5t), enhancing systemic liquidity and aiding margin stabilization.
- 3) **Credit cost normalization:** Asset quality pressures, particularly in unsecured retail and MFI segments, are showing early signs of stabilization. This should translate into lower credit costs for banks, particularly for mid-sized and MFI-heavy lenders.

### Our view: Maintain preference for ICICIBC, HDFCB, and SBI

- We maintain our view that NIMs will remain under pressure through 1H and into 3QFY26, driven by the impact of rate cuts. This may be partly offset by a gradual reduction in SA and TD rates, which typically transmit with a lag.
- Banks are increasingly focusing on building granular and stable deposit franchises to cushion margin pressures and support balance sheet resilience. Strong liability profiles are becoming a key differentiator in the current environment.
- Despite near-term headwinds, we expect gradual improvement in NIMs, stable asset quality, and normalization of credit costs to support an earnings recovery from 2HFY26.
- In light of these sectoral headwinds, we continue to **prefer ICICI Bank, HDFC Bank, and SBI**. These banks stand out due to their strong balance sheets, healthy PCR, and relatively better growth prospects—factors that should help mitigate downside risks to earnings.

**Exhibit 1: 1QFY26: Estimate margins to contract in double digits across our coverage universe**

NIM (%)	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	YoY Gr. (bp)	QoQ Gr. (bp)
AXSB	4.11	4.01	4.06	4.05	3.99	3.93	3.97	3.83	-22.00	-14.00
HDFCB	3.40	3.40	3.44	3.47	3.46	3.43	3.54	3.38	-9.00	-16.00
ICICIBC	4.53	4.43	4.40	4.36	4.27	4.25	4.41	4.27	-9.00	-14.00
IDFCFB	6.32	6.42	6.35	6.22	6.18	6.04	5.95	5.73	-49.00	-22.00
IIB	4.29	4.29	4.26	4.25	4.08	3.93	2.25	3.22	-103.00	97.00
KMB	5.22	5.22	5.28	5.02	4.91	4.93	4.97	4.79	-23.00	-18.00
FB	3.22	3.19	3.21	3.16	3.12	3.11	3.12	2.96	-20.00	-16.00
BoB	3.07	3.10	3.27	3.18	3.10	2.94	2.86	2.72	-46.00	-14.00
CBK	3.00	3.03	3.07	2.90	2.86	2.71	2.73	2.60	-30.00	-13.00
PNB	3.11	3.15	3.10	3.07	2.92	2.93	2.81	2.68	-39.00	-13.00
SBIN	3.29	3.22	3.30	3.22	3.14	3.01	3.00	2.88	-34.00	-12.00
UNBK	3.18	3.08	3.09	3.05	2.90	2.91	2.87	2.72	-33.00	-15.00
INBK	3.52	3.49	3.52	3.53	3.49	3.57	3.48	3.33	-20.00	-15.00
AUBANK	5.50	5.50	5.10	6.00	6.05	5.90	5.80	5.52	-48.00	-28.00
RBK	5.54	5.52	5.45	5.67	5.04	4.90	4.89	4.52	-115.00	-37.00
BANDHAN	7.20	7.20	7.60	7.60	7.40	6.90	6.70	6.43	-117.00	-27.00
DCBB	3.69	3.48	3.62	3.39	3.27	3.30	3.29	3.18	-21.00	-11.00
EQUITAS	8.43	8.37	8.17	7.97	7.69	7.39	7.13	6.88	-109.00	-25.00

Source: MOFSL, Company

**Exhibit 2: Yields and cost ratios for key banks – 4QFY25**

%	YoF			YoA			CoF			CoD		
	4QFY25	YoY (bp)	QoQ (bp)	4QFY25	YoY (bp)	QoQ (bp)	4QFY25	YoY (bp)	QoQ (bp)	4QFY25	YoY (bp)	QoQ (bp)
AXSB*	9.0	-38.9	-31.1	9.8	-51.6	-32.2	5.5	7.0	4.0	6.2	-18.3	-38.5
HDFCB**	9.3	-145.0	-9.8	9.5	-191.7	-18.8	4.9	0.0	0.0	NA	NA	NA
ICICIBC	8.8	8.0	20.0	9.9	-2.0	21.0	5.2	13.0	9.0	5.0	18.0	9.0
IDFCFB**	12.9	-68.6	-67.5	14.9	-104.5	-58.7	6.5	8.0	2.0	NA	NA	NA
IIB	7.9	-200.0	-178.0	9.5	-321.0	-276.0	5.6	1.0	-10.0	6.5	2.0	-8.0
KMB**	9.5	-62.9	-42.7	10.4	-44.4	-25.8	5.1	509.0	3.0	NA	NA	NA
RBK***	11.5	-81.9	-73.0	13.0	-112.0	-30.0	6.6	9.0	0.0	6.5	11.0	-10.0
AUBANK***	14.4	120.0	0.0	15.8	214.2	-77.4	7.1	14.0	8.0	NA	NA	NA

\* YoF and YoA are calculated

\*\* All ratios are calculated

\*\*\* YoF is calculated

Source: MOFSL, Company

**Exhibit 3: MOFSL's expectations of PPop trend (INR b) over the quarters of FY26E**

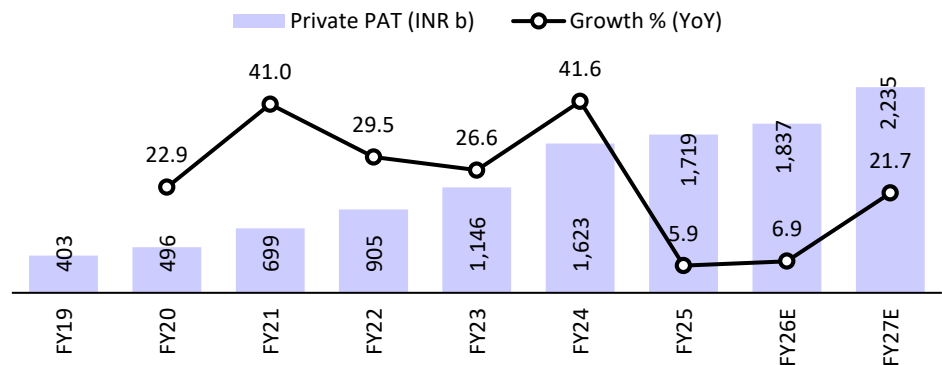
PPoP (INR b)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E
Axis Bank	88.1	86.3	91.4	105.4	101.1	107.1	105.3	107.5	106.4	108.4	117.2	130.3
DCB Bank	2.1	2.1	2.1	2.3	2.1	2.6	2.7	3.1	3.1	3.1	3.5	3.9
HDFC Bank	187.7	226.9	236.5	292.7	238.8	247.1	250.0	265.4	261.1	266.8	277.7	297.5
ICICI Bank	141.4	142.3	147.2	150.4	160.2	167.2	168.9	176.6	177.3	174.6	188.5	200.8
IndusInd Bank	38.3	39.1	40.4	40.8	39.5	36.0	36.0	(4.9)	22.7	21.3	24.2	29.1
Kotak Mahindra Bank	49.5	46.1	45.7	54.6	52.5	51.0	51.8	54.7	53.7	53.8	58.4	68.1
Federal Bank	13.0	13.2	14.4	11.1	15.0	15.7	15.7	14.7	14.5	15.0	16.3	19.6
RBL Bank	6.5	7.3	7.7	8.9	8.6	9.1	10.0	8.6	7.6	7.9	9.9	11.4
Bandhan Bank	15.6	15.8	16.6	18.4	19.4	18.6	20.2	15.7	16.8	15.7	17.7	21.9
AU SFB	5.5	6.3	6.6	6.6	9.5	11.3	12.0	12.9	12.3	12.0	12.8	14.2
IDFC First Bank	15.0	15.1	15.6	16.6	18.8	19.6	17.6	18.1	20.2	21.1	24.0	30.5
Equitas SFB	3.1	3.3	3.6	3.7	3.4	3.5	3.3	3.1	3.0	2.9	3.3	4.1
<b>Total private</b>	<b>565.9</b>	<b>603.9</b>	<b>627.7</b>	<b>711.6</b>	<b>669.0</b>	<b>688.7</b>	<b>693.6</b>	<b>675.5</b>	<b>698.8</b>	<b>702.6</b>	<b>753.6</b>	<b>831.2</b>
Bank of Baroda	78.2	80.2	70.2	81.1	71.6	94.8	76.6	81.3	71.3	68.5	79.1	96.0
Canara Bank	76.0	76.2	68.1	73.9	76.2	76.5	78.4	82.8	79.0	76.3	81.0	88.7
Indian Bank	41.3	43.0	41.0	43.0	45.0	47.3	47.5	50.2	50.6	48.0	49.7	49.5
Punjab National Bank	59.7	62.2	63.3	64.2	65.8	68.5	66.2	67.8	66.9	64.8	72.3	79.5
State Bank of India	253.0	194.2	203.4	287.5	264.5	292.9	235.5	312.9	272.3	248.8	276.4	310.2
Union Bank	71.8	72.2	72.8	65.3	77.9	81.1	74.9	77.0	74.4	72.7	79.3	80.9
<b>Total PSBs</b>	<b>580.1</b>	<b>527.9</b>	<b>518.6</b>	<b>614.9</b>	<b>600.9</b>	<b>661.2</b>	<b>579.1</b>	<b>672.0</b>	<b>614.6</b>	<b>579.0</b>	<b>637.9</b>	<b>704.9</b>
<b>Total Banks</b>	<b>1,145.9</b>	<b>1,131.8</b>	<b>1,146.3</b>	<b>1,326.6</b>	<b>1,270.0</b>	<b>1,349.9</b>	<b>1,272.7</b>	<b>1,347.5</b>	<b>1,313.3</b>	<b>1,281.6</b>	<b>1,391.4</b>	<b>1,536.1</b>

Source: MOFSL, Company

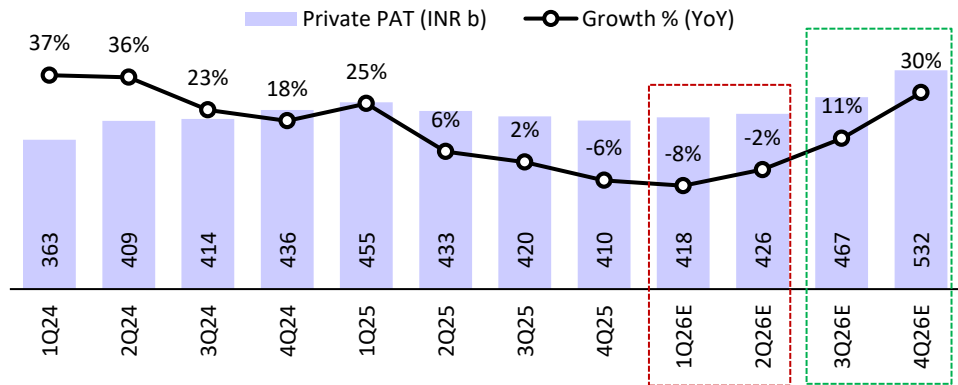
**Exhibit 4: Expect PPOP growth to revive from 3QFY26 onwards (%)**

PPoP (YoY, %)	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26E	2Q26E	3Q26E	4Q26E
Axis Bank	50	12	-1	15	15	24	15	2	5	1	11	21
DCB Bank	26	15	9	-4	-2	21	28	31	50	22	30	28
HDFC Bank	22	30	24	57	27	9	6	-9	9	8	11	12
ICICI Bank	37	22	11	9	13	18	15	17	11	4	12	14
IndusInd Bank	12	10	10	9	3	-8	-11	-112	-43	-41	-33	-692
Kotak Mahindra Bank	78	29	19	18	6	11	13	0	2	5	13	25
Federal Bank	34	9	13	-17	15	18	9	32	-4	-4	4	34
RBL Bank	22	43	35	49	33	24	30	-3	-11	-14	-1	32
Bandhan Bank	-14	2	-14	2	24	17	22	-15	-13	-15	-12	39
AU SFB	39	26	18	16	74	80	83	95	29	6	6	10
IDFC First Bank	59	29	24	7	25	30	13	9	-2	-2	25	56
Equitas SFB	16	36	29	-3	9	6	-8	-17	-11	-16	-2	32
<b>Total private</b>	<b>32</b>	<b>23</b>	<b>14</b>	<b>26</b>	<b>18</b>	<b>14</b>	<b>10</b>	<b>-5</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>23</b>
Bank of Baroda	73	33	-15	0	-8	18	9	0	0	-28	3	18
Canara Bank	15	10	-2	2	0	1	15	12	4	0	3	7
Indian Bank	16	19	1	7	9	10	16	17	12	2	5	-1
Punjab National Bank	11	12	11	9	10	10	5	6	2	-5	9	17
State Bank of India	98	-8	-19	17	5	51	16	9	3	-15	17	-1
Union Bank	32	10	10	-4	8	12	3	18	-4	-10	6	5
<b>Total PSBs</b>	<b>52</b>	<b>6</b>	<b>-9</b>	<b>9</b>	<b>4</b>	<b>25</b>	<b>12</b>	<b>9</b>	<b>2</b>	<b>-12</b>	<b>10</b>	<b>5</b>
<b>Total Banks</b>	<b>41</b>	<b>14</b>	<b>2</b>	<b>17</b>	<b>11</b>	<b>19</b>	<b>11</b>	<b>2</b>	<b>3</b>	<b>-5</b>	<b>9</b>	<b>14</b>

Source: Company, MOFSL

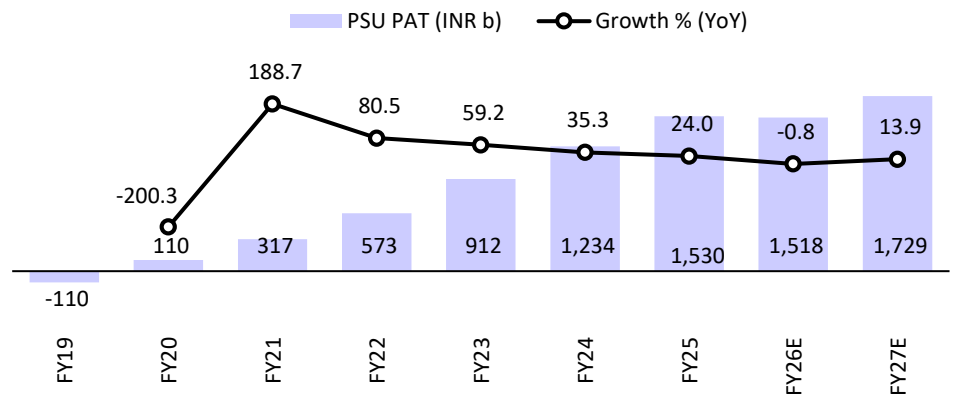
**Exhibit 5: Estimate private banks' earnings to recover to 21.7% in FY27 from 6.9% in FY26**


Source: Company, MOFSL

**Exhibit 6: Estimate private banks' earnings to see a rebound from 3QFY26**


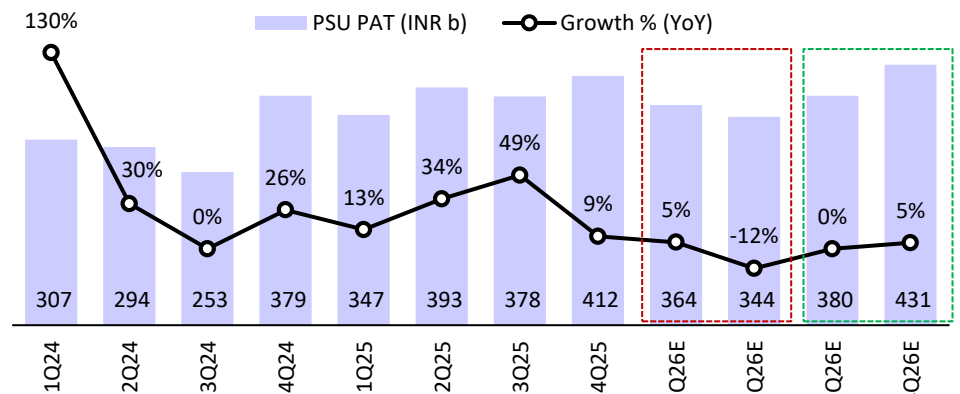
Source: Company, MOFSL

**Exhibit 7: Estimate PSU banks' PAT to recover to 13.9% in FY27 vs a decline of ~1% in FY26**



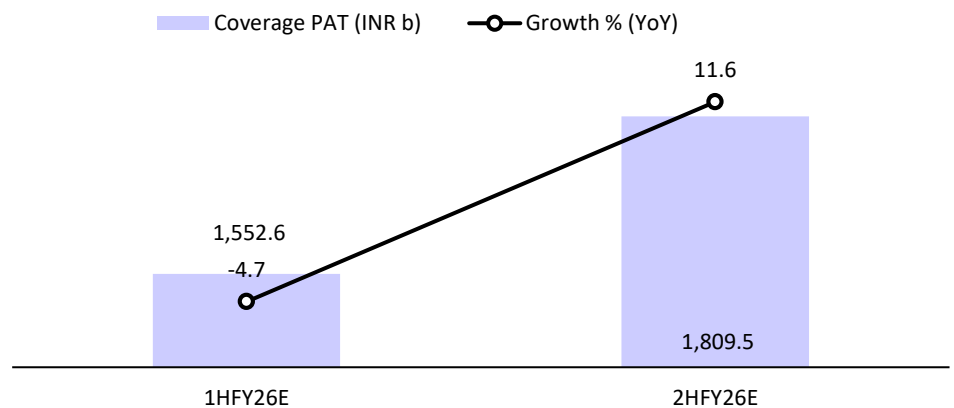
Source: Company, MOFSL

**Exhibit 8: Estimate PSU banks' earnings to see a rebound from 2HFY26**



Source: Company, MOFSL

**Exhibit 9: Earnings growth to bottom out in 1HFY26E; expect trend to improve from 2H**



Source: Company, MOFSL

**Exhibit 10: MOFSL estimates of earnings progression over the years**

INR b	Earnings								
	FY21	FY22	FY23	FY24	FY25	FY26E	1HFY26E	2HFY26E	FY27E
<b>Private Banks</b>									
AXSB	65.9	130.3	92.2	248.6	263.7	273.0	121.6	151.4	333.5
BANDHAN	22.1	1.3	21.9	22.3	27.5	29.1	9.6	19.6	39.6
DCBB	3.4	2.9	4.7	5.4	6.2	7.8	3.5	4.3	10.4
HDFCB	311.2	369.6	441.1	608.1	673.5	729.8	346.4	383.4	857.1
ICICIBC	161.9	233.4	319.0	408.9	472.3	507.0	239.6	267.4	606.1
IDFCFB	4.5	1.5	24.4	29.6	15.2	24.0	8.8	21.9	47.5
IIB	29.3	48.0	74.4	89.8	25.8	30.8	11.6	19.2	43.5
KMB	69.6	85.7	109.4	137.8	164.5	153.1	69.6	83.7	180.4
FB	15.9	18.9	30.1	37.2	40.5	41.5	18.6	22.9	52.4
RBK	5.1	-0.7	8.8	11.7	7.0	10.6	3.1	7.4	18.8
AUBANK	6.0	11.3	14.3	15.3	21.1	26.7	11.3	15.4	37.5
EQUITASB	3.8	2.8	5.7	8.0	1.5	3.6	0.8	2.8	8.9
<b>Total Pvt</b>	<b>698.7</b>	<b>904.9</b>	<b>1,146.0</b>	<b>1,622.6</b>	<b>1,718.6</b>	<b>1,837.0</b>	<b>844.5</b>	<b>999.3</b>	<b>2,235.7</b>
<b>YoY growth</b>	<b>41.0%</b>	<b>29.5%</b>	<b>26.6%</b>	<b>41.6%</b>	<b>5.9%</b>	<b>6.9%</b>	<b>-4.9%</b>	<b>20.3%</b>	<b>21.7%</b>
<b>PSU Banks</b>									
BOB	8.3	72.7	141.1	177.9	195.8	184.2	82.4	101.8	233.4
CBK	25.6	56.8	106.0	145.5	170.3	169.1	80.3	88.8	190.7
INBK	30.0	39.4	52.8	80.6	109.2	111.8	55.6	56.2	123.5
PNB	20.2	34.6	25.1	82.4	166.3	176.5	81.4	95.1	211.9
SBIN	204.1	316.8	502.3	610.8	709.0	697.8	326.3	371.6	775.5
UNBK	29.1	52.3	84.3	136.5	179.9	178.7	82.1	96.6	193.7
<b>Total PSU</b>	<b>317.3</b>	<b>572.6</b>	<b>911.7</b>	<b>1,233.8</b>	<b>1,530.4</b>	<b>1,518.3</b>	<b>708.1</b>	<b>810.2</b>	<b>1,728.7</b>
<b>YoY growth</b>	<b>188.7%</b>	<b>80.5%</b>	<b>59.2%</b>	<b>35.3%</b>	<b>24.0%</b>	<b>-0.8%</b>	<b>-4.4%</b>	<b>2.6%</b>	<b>13.9%</b>
<b>Total Banks</b>	<b>1,016.0</b>	<b>1,477.5</b>	<b>2,057.7</b>	<b>2,856.4</b>	<b>3,249.0</b>	<b>3,355.3</b>	<b>1,552.6</b>	<b>1,809.5</b>	<b>3,964.4</b>
<b>YoY growth</b>	<b>67.8%</b>	<b>45.4%</b>	<b>39.3%</b>	<b>38.8%</b>	<b>13.7%</b>	<b>3.3%</b>	<b>-4.7%</b>	<b>11.6%</b>	<b>18.2%</b>

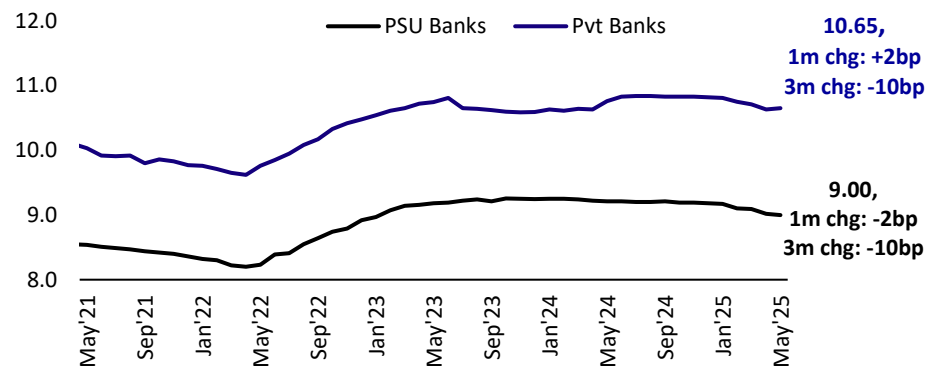
1QFY25 includes the gains from a sale of a subsidiary (Kotak General Insurance) of Kotak Bank; Source: MOFSL

**Exhibit 11: MOFSL estimates of growth in earnings over the years**

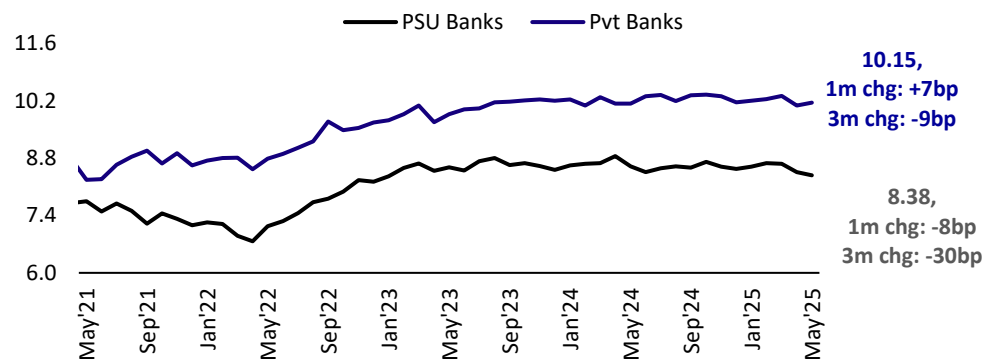
	Growth YoY (%)								
	FY21	FY22	FY23	FY24	FY25	FY26E	1HFY26E	2HFY26E	FY27E
<b>Private Banks</b>									
AXSB	305	98	-29	170	6	4	-6	13	22
BANDHAN	-27	-94	1645	2	23	6	-52	163	36
DCBB	-1	-14	62	15	15	27	22	31	33
HDFCB	19	19	19	38	11	8	5	12	17
ICICIBC	104	44	37	28	16	7	5	9	20
IDFCFB	-116	-68	1575	21	-48	58	0	240	97
IIB	-34	64	55	21	-71	20	-67	NA	41
KMB	17	23	28	26	19	-7	-27	22	18
FB	3	19	59	24	9	2	-10	15	26
RBK	0	-115	-1281	32	-40	52	-47	631	78
AUBANK	1	88	26	7	37	27	5	49	41
EQUITASB	58	-27	104	39	-82	143	95	161	149
<b>Total Pvt YoY growth</b>	<b>41</b>	<b>30</b>	<b>27</b>	<b>42</b>	<b>6</b>	<b>7</b>	<b>-5</b>	<b>20</b>	<b>22</b>
<b>PSU Banks</b>									
BOB	52	777	94	26	10	-6	-15	3	27
CBK	-214	122	87	37	17	-1	1	-2	13
INBK	299	31	34	53	35	2	9	-3	10
PNB	501	71	-27	229	102	6	8	5	20
SBIN	41	55	59	22	16	-2	-8	5	11
UNBK	-200	80	61	62	32	-1	-2	1	8
<b>Total PSU YoY growth</b>	<b>189</b>	<b>80</b>	<b>59</b>	<b>35</b>	<b>24</b>	<b>-1</b>	<b>-4</b>	<b>3</b>	<b>14</b>
<b>Total Banks YoY growth</b>	<b>68</b>	<b>45</b>	<b>39</b>	<b>39</b>	<b>14</b>	<b>3</b>	<b>-5</b>	<b>12</b>	<b>18</b>

1QFY25 includes the gains from a sale of a subsidiary (Kotak General Insurance) of Kotak Bank; Source: MOFSL

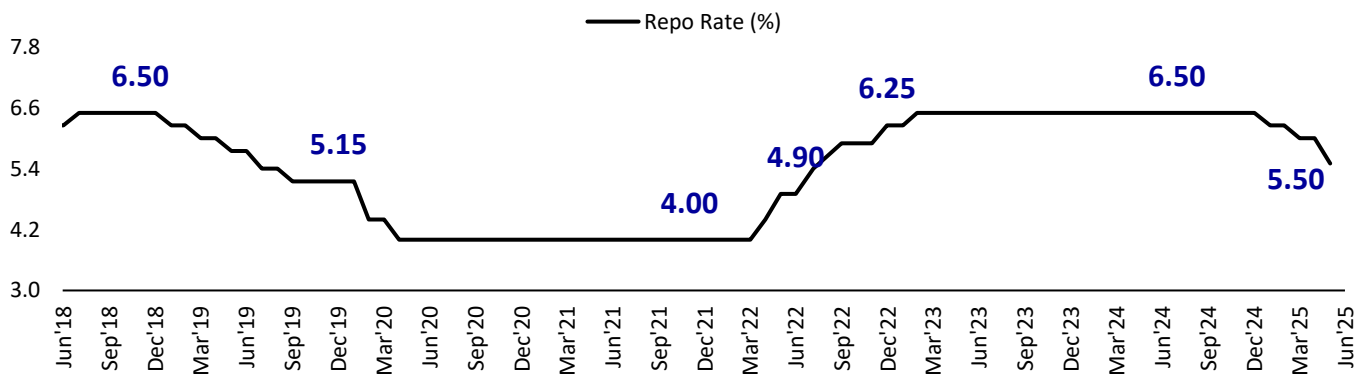
**Exhibit 12: WALR on outstanding loans declined for both PSBs and PVBs in Apr'25**



**Exhibit 13: WALR on fresh loans decreased sharply MoM for PSBs, while PVBs have adjusted their spreads**

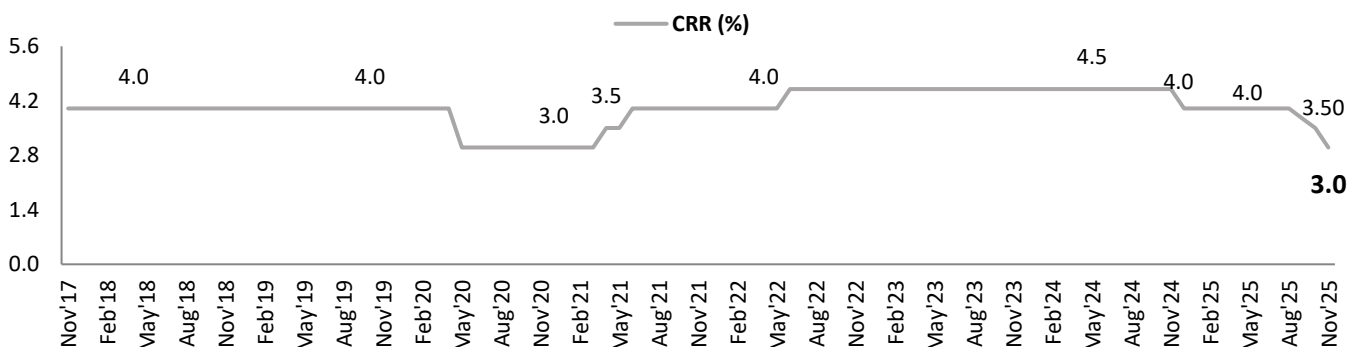


**Exhibit 14: Repo rate dipped 100bp to 5.5% over Feb-Jun'25**



Source: RBI, MOFSL

**Exhibit 15: CRR (%) to see a phased reduction to 3% in Nov'25, which shall be the bottom range**

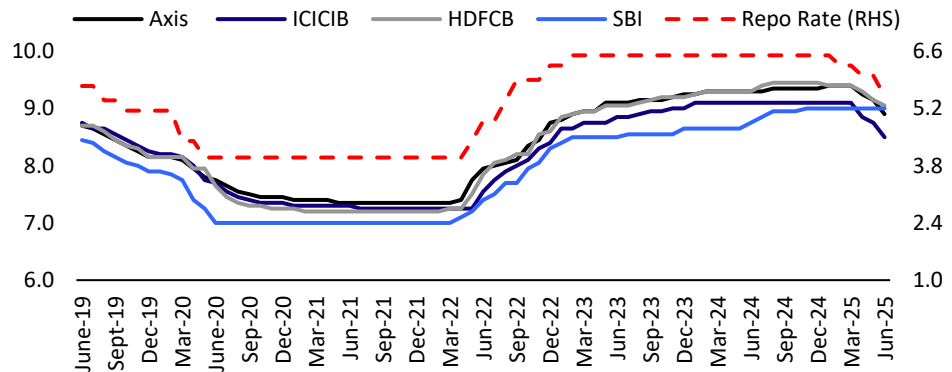


Source: RBI, MOFSL



**Exhibit 16: MCLR for large PVBs declined 35-60bp in the past three months (post RBI's first rate cut), while it stood flat for SBI**

ICICI Bank has seen a sharp decline of 60bp in the past three months among the top four banks.



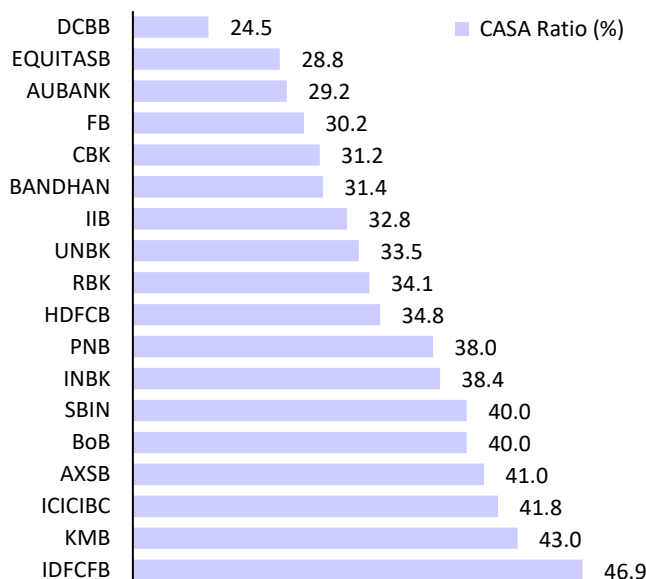
Source: RBI, MOFSL

**Exhibit 17: One-year MCLR rate declined 15-60bp YoY for PVBs, while it rose marginally for most PSBs**

	2024				2025			YoY Change	QoQ Change
	Mar	Jun	Sep	Dec	Mar	May	Jun	(in bp)	(in bp)
HDFC Bank	9.30	9.30	9.45	9.45	9.40	9.15	9.05	(25)	(35)
ICICI	9.10	9.10	9.10	9.10	9.10	8.75	8.50	(60)	(60)
Axis	9.30	9.30	9.35	9.40	9.40	9.15	8.90	(40)	(50)
Kotak	9.45	9.50	9.55	9.55	9.55	9.20	8.90	(60)	(65)
IIB	10.40	10.45	10.55	10.55	10.45	10.35	10.30	(15)	(15)
IDFC First	10.40	10.65	10.55	10.50	10.60	10.45	10.35	(30)	(25)
RBL	10.30	10.05	10.40	10.55	10.40	10.10	9.90	(15)	(50)
Federal	9.71	9.70	9.80	9.90	9.90	9.60	9.50	(20)	(40)
BOB	8.80	8.85	8.95	9.00	9.00	8.95	8.90	5	(10)
CBK	8.90	8.90	9.00	9.10	9.10	9.00	8.80	(10)	(30)
INBK	8.85	8.90	9.00	9.05	9.10	9.10	9.05	15	(5)
PNB	8.80	8.85	8.90	9.00	9.05	8.95	8.95	10	(10)
UNBK	8.90	8.90	8.95	9.00	9.00	8.95	8.90	-	(10)
SBI	8.65	8.75	8.95	9.00	9.00	9.00	9.00	25	-

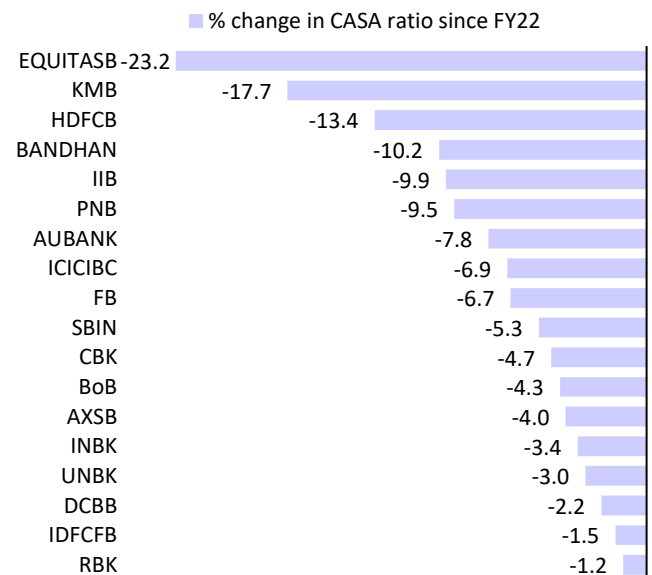
SBI has reduced its MCLR to 8.80% in Jul-25, Source: RBI, MOFSL

**Exhibit 18: CASA ratio for banks declined in recent years**



Source: MOFSL, Company

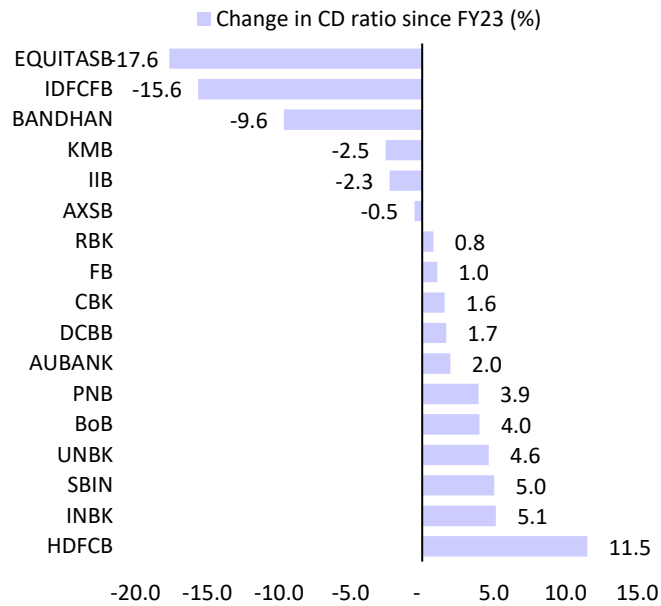
**Exhibit 19: Decline in CASA ratio for banks since FY22**



Note: Decline in HDFCB is attributed partly to the merger;  
Source: MOFSL, Company

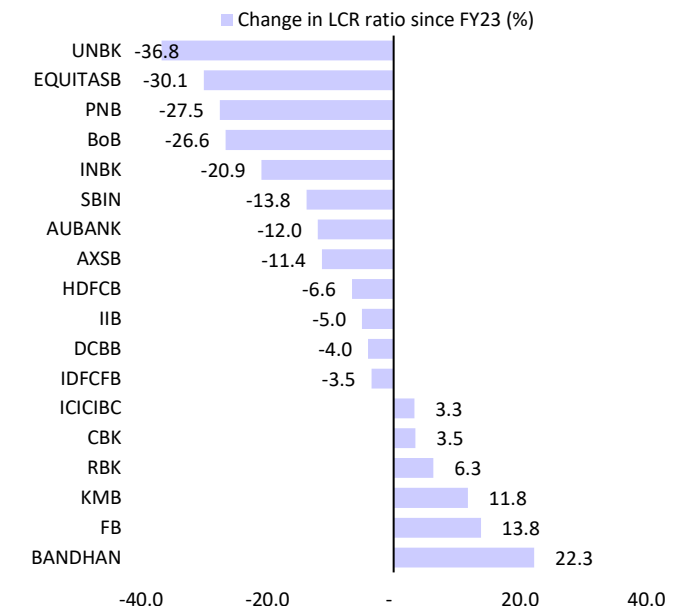


**Exhibit 20: CD ratio has increased for most banks since FY23 – PSBs have seen a sharper increase in CD ratio post FY23**



Higher CD ratio for HDFCB amid the merger  
Source: MOFSL, Company

**Exhibit 21: Changes in LCR ratio since FY23 – most banks have deployed excess liquidity on their balance sheets**



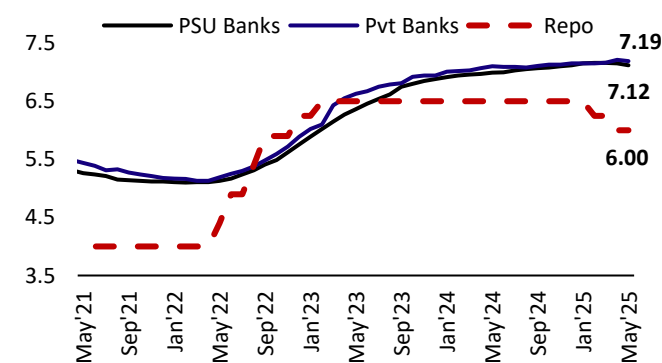
Source: MOFSL, Company

**Exhibit 22: As of 4QFY25, PSBs had a sizeable mix of MCLR-linked loans (%)**

Loans Mix (%) - 4QFY25	MCLR	EBLR	Repo Linked	Others (Fixed, base rate, foreign currency-floating)
AUBANK	30		7	63
AXSB	9	4	57	30
CBK	56	44		0
FB	9		51	40
HDFCB*	25		45	30
ICICIB	15	1	53	31
INBK*	57		37	5
KMB**	13	60		27
PNB	31	15	44	11
RBL	9		46	45
SBIN	35		29	36
BOB	47		35	18
Equitas*			20	80

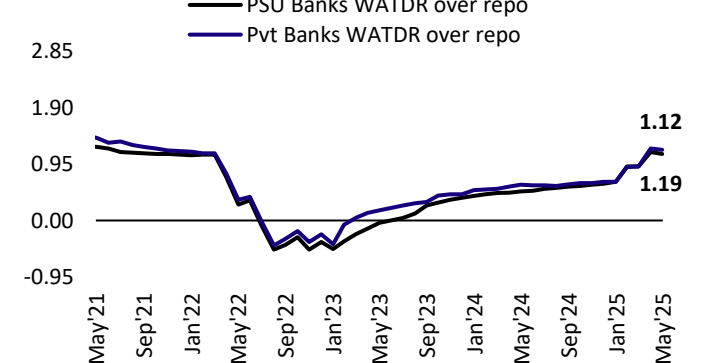
\*\*As of 2QFY25, \*As of 3QFY25; Source: MOFSL, Company

**Exhibit 23: WATDR declined 2-3bp MoM for both PVBs and PSBs**



Source: MOFSL, RBI

**Exhibit 24: WATDR over repo gap widened amid a decline in repo rate, while WATDR remained flat over the past three months**



Source: MOFSL, RBI

**Exhibit 25: SA rates offered by various banks**

(%)	SA Rate
AXSB	2.5%
HDFCB	2.5%
ICICIBC	2.5%
KMB	2.75%
IIB	3.0% to 5.0% (max rate for deposits between INR10m and above)
RBK	3.0% to 6.75% (max rate for deposits between INR2.5m and INR30m)
IDFCB	3% to 7.0% (max rate for deposits between INR0.5m and INR10m)
BANDHAN	3.0% to 6.5% (max rate for deposits above INR50m)
AUBANK	3.0% to 6.75% (max rate for deposits between INR0.25m and above)
BOB	2.7%/4.25% (max rate for deposits of INR10b and above)
PNB	2.5%/2.7% (max rate for deposits of INR1b and above)
SBIN	2.5%
DCBB	1.5% to 7.5% (max rate for deposits between INR30m and INR100m)

Source: MOFSL, Company

Banks have changed their SA rates aggressively amid rate cuts.

**Exhibit 26: Overview of the changes in SA rates since Apr'25 (%)**

Name of Bank	Slabs	Apr-25	Jun-25	Difference
HDFC Bank	< 50 Lakhs	3.00	2.50	-0.50
	50 lakhs & above	3.50	2.50	-1.00
Axis Bank	< 50 Lakhs	3.00	2.50	-0.50
	50 lakhs to 2000 crore	3.50	2.50	-1.00
	2000 crore & above	7.03	6.00	-1.03
DCB Bank	< 10 lakhs	4.75	4.50	-0.25
	10 lakhs to < 1 crore	7.75	6.00	-1.75
	1 crore to < 10 crore	8.00	7.50	-0.50
	10 crore and above	8.00	7.25	-0.75
ICICI Bank	< 50 Lakhs	3.00	2.50	-0.50
	50 lakhs or more	3.50	2.50	-1.00
Indusind Bank	< 10 lakhs	5.00	3.00	-2.00
	10 lakhs to < 1 crore	7.00	4.00	-3.00
	1 crore & above	7.00	5.00	-2.00
KMB	< 50 Lakhs	3.00	2.75	-0.25
	50 lakhs or more	3.50	2.75	-0.75
SBI	< 10 crore	2.70	2.50	-0.20
	10 crore or more	3.00	2.50	-0.50
PNB	< 10 Lakhs	2.70	2.50	-0.20
	10 lakhs to < 100 crore	2.75	2.50	-0.25
	100 crore & above	3.00	2.70	-0.30
BOB	< 50 lakhs	2.75	2.70	-0.05
	50 lakhs to < 100 crore	3.00	3.00	0.00
	100 crore to < 1000 crore	4.10	4.00	-0.10
	1000 crore and above	4.50	4.25	-0.25
Indian Bank	< 10 lakhs	2.75	2.75	0.00
	10 lakhs to < 200 crore	2.80	2.80	0.00
	200 crore & above	2.90	2.90	0.00
RBL Bank	< 10 lakhs	5.50	5.00	-0.50
	10 lakhs to < 3 crore	7.50	6.75	-0.75
	3 crore to < 200 crore	6.00	6.00	0.00
	200 crore & above	7.33	6.05	-1.28
Federal Bank	< 5 crore	3.50	2.50	-1.00
	5 crore to < 50 crore	5.25	4.75	-0.50
	50 crore to < 150 crore	6.90	6.25	-0.65
	150 crore & above	3.00	2.50	-0.50
AU SFB	< 10 lakhs	5.00	4.00	-1.00
	10 lakhs to < 25 lakhs	7.00	6.50	-0.50
	25 lakhs to < 25 crore	7.25	6.75	-0.50
IDFC First Bank	< 5 lakhs	3.00	3.00	0.00
	5 lakhs to < 10 crores	7.25	7.00	-0.25
	10 crores to < 200 crores	7.25	6.50	-0.75
	more than 200 crores	3.50	3.50	0.00

Most banks have cut their savings rate in the range of 25-100bp across

Name of Bank	Slabs	Apr-25	Jun-25	Difference
Bandhan Bank	< 10 lakhs	5.00	5.00	0.00
	10 lakhs to < 5 crore	7.00	6.00	-1.00
	5 crore to < 250 crore	7.00	6.50	-0.50
	more than 250 crore	8.15	7.00	-1.15
Equitas SFB	< 10 lakhs	5.00	5.00	0.00
	10 lakhs to < 1 crore	7.25	7.00	-0.25
	1 crore to < 25 crore	7.50	7.25	-0.25
	more than 25 crore	7.80	7.50	-0.30

**Exhibit 27: Peak term deposit rates across different buckets for major banks**

(%)	7-14 days	0-3 months	3-9 months	9-15 months	15-36 months
<b>Large pvt banks</b>					
HDFCB	2.75	4.25	5.50	6.25	6.45
AXSB	3.00	4.50	5.50	6.25	6.60
ICICIBC	3.00	4.50	5.50	6.25	6.60
KMB	2.75	5.00	6.00	6.60	6.60
IIB	3.25	4.75	6.25	7.00	7.00
<b>Mid-size pvt banks</b>					
RBK	3.50	4.50	6.05	7.10	7.30
IDFCB	3.00	4.50	5.50	6.25	6.75
BANDHAN	3.00	4.50	4.50	7.75	7.65
Federal	3.00	4.50	6.00	6.70	6.85
<b>Small finance banks</b>					
AUBANK	3.50	5.00	6.50	7.00	7.25
EQUITASB	3.50	5.50	6.50	7.25	7.60
JANASFB	3.00	5.00	6.00	7.75	7.75
UJJIVAN	3.50	4.65	6.50	7.65	7.75

Source: MOFSL, Company

**Exhibit 28: Overview of changes in TD rates since Apr'25 (%)**

Name of Bank	Slabs	Apr-25	Jun-25	Difference
HDFC Bank	0 to < 90 days	4.50	4.25	-0.25
	90 days to < 1 year	6.00	5.75	-0.25
	1 year to < 5 years	7.40	6.60	-0.80
	more than 5 years	7.00	6.15	-0.85
Axis Bank	0 to < 90 days	4.75	4.50	-0.25
	90 days to < 1 year	6.00	5.75	-0.25
	1 year to < 5 years	7.25	6.60	-0.65
	more than 5 years	7.00	6.50	-0.50
DCB Bank	0 to < 90 days	4.00	4.50	0.50
	90 days to < 1 year	7.10	6.50	-0.60
	1 year to < 5 years	8.00	7.40	-0.60
	more than 5 years	7.65	7.00	-0.65
ICICI Bank	0 to < 90 days	4.50	4.00	-0.50
	90 days to < 1 year	6.00	5.75	-0.25
	1 year to < 5 years	7.25	6.60	-0.65
	more than 5 years	6.90	6.60	-0.30
Indusind Bank	0 to < 90 days	4.75	4.75	0.00
	90 days to < 1 year	6.50	6.50	0.00
	1 year to < 5 years	7.75	7.00	-0.75
	more than 5 years	7.00	6.50	-0.50
KMB	0 to < 90 days	3.50	3.50	0.00
	90 days to < 1 year	7.00	6.00	-1.00
	1 year to < 5 years	7.40	6.60	-0.80
	more than 5 years	6.20	6.25	0.05
SBI	0 to < 90 days	5.50	5.05	-0.45

Most banks have lowered their peak TD rates across all maturity buckets.

TD rates have declined by 20 to 100bp for most banks across maturities.

Name of Bank	Slabs	Apr-25	Jun-25	Difference
	90 days to < 1 year	6.50	6.05	-0.45
	1 year to < 5 years	7.00	6.45	-0.55
	more than 5 years	6.50	6.05	-0.45
PNB	0 to < 90 days	4.50	4.50	0.00
	90 days to < 1 year	6.80	6.00	-0.80
	1 year to < 5 years	7.25	6.70	-0.55
BOB	more than 5 years	6.50	6.00	-0.50
	0 to < 90 days	5.50	5.00	-0.50
	90 days to < 1 year	6.50	6.00	-0.50
	1 year to < 5 years	7.30	6.50	-0.80
	more than 5 years	6.50	6.00	-0.50
Union Bank	0 to < 90 days	4.50	4.40	-0.10
	90 days to < 1 year	6.35	6.15	-0.20
	1 year to < 5 years	7.30	6.85	-0.45
	more than 5 years	6.50	6.40	-0.10
Indian Bank	0 to < 90 days	3.25	3.25	0.00
	90 days to < 1 year	4.75	4.75	0.00
	1 year to < 5 years	7.15	6.90	-0.25
	more than 5 years	6.25	6.00	-0.25
RBL Bank	0 to < 90 days	4.50	4.50	0.00
	90 days to < 1 year	6.05	6.05	0.00
	1 year to < 5 years	8.00	7.30	-0.70
	more than 5 years	7.00	7.00	0.00
AU Small Finance Bank	0 to < 90 days	5.50	5.00	-0.50
	90 days to < 1 year	7.25	6.50	-0.75
	1 year to < 5 years	8.00	7.25	-0.75
	more than 5 years	7.25	6.75	-0.50
Bandhan Bank	0 to < 90 days	4.50	4.50	0.00
	90 days to < 1 year	4.50	4.50	0.00
	1 year to < 5 years	8.05	7.75	-0.30
	more than 5 years	5.85	5.85	0.00
Equitas Small Finance Bank	0 to < 90 days	5.50	5.50	0.00
	90 days to < 1 year	7.20	7.00	-0.20
	1 year to < 5 years	8.05	7.80	-0.25
	more than 5 years	7.25	7.25	0.00

### Our view: Maintain preference for ICICIB, HDFCB, and SBI

- We maintain our view that NIMs will remain under pressure through 1H and into 3QFY26, driven by the impact of rate cuts. This may be partly offset by a gradual reduction in SA and TD rates, which typically transmit with a lag.
- Banks are increasingly focusing on building granular and stable deposit franchises to cushion margin pressures and support balance sheet resilience. Strong liability profiles are becoming a key differentiator in the current environment.
- Despite near-term headwinds, we expect gradual improvement in NIMs, stable asset quality, and normalization of credit costs to support an earnings recovery from 2HFY26.
- In light of these sectoral headwinds, we continue to **prefer ICICI Bank, HDFC Bank, and SBI**. These banks stand out due to their strong balance sheets, healthy PCR, and relatively better growth prospects—factors that should help mitigate downside risks to earnings.

**Exhibit 29: Banking valuation summary**

Val summary	Rating	CMP (INR)	EPS (INR)		RoA (%)		RoE (%)		P/E (x)		P/BV (x)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Private Banks												
ICICIBC*	Buy	1,431	71.2	85.1	2.2	2.3	16.7	17.5	16.4	13.7	3.2	2.7
HDFCB*	Buy	1,995	96.1	112.8	1.8	1.9	13.9	14.7	17.6	15.0	2.8	2.4
AXSB*	Neutral	1,165	88.0	107.4	1.6	1.7	14.3	15.3	11.8	9.7	1.8	1.6
BANDHAN	Neutral	180	18.1	24.6	1.4	1.7	11.7	14.8	10.0	7.3	1.1	1.0
KMB*	Buy	2,188	77.1	90.7	2.1	2.2	12.7	13.5	18.3	15.6	3.5	3.0
IIB	Neutral	881	39.5	55.8	0.5	0.7	4.7	6.3	22.3	15.8	1.0	1.0
FB	Buy	212	17.0	21.5	1.1	1.2	11.9	13.4	12.4	9.8	1.4	1.2
DCBB	Buy	149	24.9	33.1	0.9	1.0	13.7	16.0	6.0	4.5	0.8	0.7
IDFCFB	Neutral	73	3.1	5.6	0.6	1.0	5.7	9.7	23.8	13.1	1.3	1.2
EQUITASB	Buy	63	3.2	7.8	0.6	1.3	5.9	13.7	20.1	8.1	1.2	1.1
AUBANK	Buy	810	35.8	50.2	1.5	1.7	14.8	18.0	22.6	16.2	3.2	2.7
RBK	Buy	263	17.4	31.1	0.7	1.1	6.7	11.3	15.1	8.5	1.0	0.9
PSU Banks												
SBIN*	Buy	817	78.2	86.9	1.0	1.0	15.8	15.6	7.3	6.6	1.5	1.3
PNB	Buy	112	15.4	18.4	0.9	1.0	14.0	14.9	7.3	6.1	0.9	0.8
BOB	Neutral	244	35.6	45.1	1.0	1.1	14.0	16.1	6.9	5.4	0.9	0.8
CBK	Buy	115	18.6	21.0	1.0	1.0	17.2	17.6	6.2	5.5	1.0	0.9
UNBK	Buy	146	23.4	25.4	1.1	1.1	15.7	15.1	6.3	5.8	0.9	0.8
INBK	Buy	634	83.0	91.7	1.2	1.2	16.8	16.5	7.6	6.9	1.2	1.0
Payments & Fintech												
SBI Cards	Neutral	894	29	38	3.9	4.4	18.1	20.2	31.3	23.5	5.2	4.3
			EPS (INR)		EBITDA (INRb)		RoA (%)		RoE (%)		P/E (x)	
One 97 Comm.	Neutral	989	3	13	-1.4	6.2	0.9	3.8	1.3	5.6	337.0	76.5

\* Adjusted for subsidiaries, Source: MOFSL, Company

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## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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