

Financials - Banks

Month	SCBs		
	WALR – O/s Loans	WALR – Fresh Loans	WATDR
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
Jun-25	9.44	8.62	7.00
Jul-25	9.38	8.81	6.92
Aug-25	9.32	8.75	6.87

PSBs reporting more resilient loan yield; deposit re-pricing gaining pace

Sector margins to bottom out in 2Q; 1-year MCLR dips 10-100bp

- Following a cumulative 100bp repo rate cut in CY25, system yields on fresh loans have eased ~65bp over the past six months, led by an 80bp decline for private banks (PVBs) and a 62bp decline for PSBs. Given that there have been no further rate cuts, NIMs are expected to bottom out, aided by lower proposed risk weights in select segments and lower CRR.
- Despite the 100bp repo rate cut, spreads on fresh rupee loans vs. the repo rate remain elevated at ~394bp for private banks (vs. ~374bp in CY24) and ~256bp for PSBs (vs. ~210bp in CY24), indicating limited room for further decline of ~10-20bp.
- WALR on outstanding loans for the system declined 6bp MoM (3M decline at 35bp), with a 10bp drop for PVBs (3M decline of 43bp) and a 3bp fall for PSBs (3M decline of 30bp).
- The weighted average term deposit rate (WATDR) for the system declined 5bp MoM in Aug'25 to 6.99%, with PSBs and PVBs reporting a 3bp and 4bp fall, respectively. Over the past three months, WATDR has eased ~20bp (17bp for PSBs and 21bp for PVBs). While SA rate declines have already been factored in, TD repricing benefits are expected to flow meaningfully from 2HFY26, aiding margin recovery.
- With the RBI maintaining the status quo in the latest MPC but signaling space for an additional 50bp rate cut (amid softer inflation and moderate growth), funding costs are expected to ease further, supporting NIM improvement in 2H.
- Growth appears to have bottomed out, with early signs of recovery. Policy support, rate cuts, and improving bank traction indicate that credit growth could accelerate to ~11% in FY26E.
- Top picks: ICICI, HDFCB, and SBIN.

NIMs estimate for banks

NIM (%)	2Q25	1Q26	2Q26E
AXSB	3.99	3.80	3.60
HDFCB	3.46	3.35	3.24
ICICIBC	4.27	4.34	4.18
IDFCFB	6.18	5.71	5.56
IIB	4.08	3.46	3.26
KMB	4.91	4.65	4.51
FB	3.12	2.94	2.86
BoB	3.10	2.91	2.82
CBK	2.86	2.55	2.47
PNB	2.92	2.70	2.67
SBIN	3.14	2.90	2.82
UNBK	2.90	2.76	2.67
INBK	3.49	3.35	3.27
AUBANK	6.05	5.40	5.18
RBK	5.04	4.50	4.55
BANDHAN	7.40	6.40	5.98
DCBB	3.27	3.20	3.10
EQUITAS	7.69	6.55	6.30

WALR on fresh and O/S loans declines ~50bp; further 30-40bp dip possible

- WALR on fresh loans declined 45bp in the last three months, with PVBs seeing a steep decline of 71bp and PSBs reporting a 32bp dip. Over the last six months (i.e., from the first repo cut in Feb'25), the overall WALR on fresh loans declined ~65bp for system, led by an 80bp decline for PVBs and 62bp for PSBs.
- With the 100bp repo rate cut, spreads on fresh rupee loans vs. the repo rate remain elevated at ~394bp for PVBs, compared to an average of 374bp in CY24, indicating that a further decline would be limited at 10-20bp. For PSBs, spreads vs. the repo stand at ~256bp, significantly above the CY24 average of ~210bp, as the repricing is yet to be passed on since PSBs have high linkages to MCLR.
- WALR on outstanding loans eased 6bp MoM to 9.32% in Aug'25 vs. 6bp in Jul'25. Over the past three months, WALR on outstanding loans has corrected by 35bp, with a 43bp drop for PVBs and a 30bp decline for PSBs.
- One-year MCLR for PVBs has dipped 35-100bp over the past year, with banks like IDFC First/IndusInd passing on ~35bp/40bp and KMB passing on a significant 100bp. PSBs, however, have transmitted the rates less aggressively, with reductions limited to 10-40bp, led by Union Bank with a 40bp cut.

WATDR declines at calibrated pace; CoF fall to accelerate from 2HFY26

- WATDR continues its downward trend, albeit at a calibrated pace, falling 5bp in Aug'25. PSBs reported a 3bp decline and PVBs saw a 4bp decline. In the past three months, WATDR has dipped 20bp overall, driven by a 17bp decline for PSBs and a 21bp drop for PVBs.

Month	PSBs		
	WALR - O/s Loans	WALR - Fresh Loans	WATDR
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
Jun-25	8.76	7.82	7.07
Jul-25	8.73	8.13	6.99
Aug-25	8.70	8.06	6.95

- While the SA decline has already been accounted, the TD repricing benefit is yet to flow meaningfully and its impact would be visible in 2HFY26.
- Since the mega rate cut of Jun'25, the SA rates have been broadly unchanged; however, mid-size banks that have been aggressive in offering the rates would see a round of cuts in SA rates to protect the NIMs.
- While the RBI kept the repo rate unchanged in the Oct MPC meeting, there now appears to be room for an additional 50bp rate cut. This is mainly due to the downward revision in the inflation forecast to 2.6% from 3.1% earlier (remaining below the 4% target), caution over the impact of tariffs on exports, and GDP growth still trailing the aspirational range of 7-8%. As the full transmission of the 100bp rate cut implemented so far in CY25 and the effects of GST rate rationalization are awaited, we anticipate a possible 50bp rate cut window opening around Dec'25 or Feb'26. This would likely coincide with the beginning of the rate-cutting cycle in the US.**

Growth appears to have bottomed out, with early indicators pointing to a gradual pickup

System credit growth in the banking sector stood at 10.4% (2.2% 2QTD and 3.6% YTD), compared with 13% a year ago, reflecting a broad-based slowdown across retail segments and a subdued capex cycle. We believe the credit cycle is poised to pick up amid declining interest rates, along with supportive measures such as GST and income tax cuts.

Furthermore, the recent CRR cut and new RBI measures—such as lowering risk weights for MSME and residential home loans, increasing limits on loans against shares (LAS) for banks, and reducing risk weights on NBFC exposures to infrastructure projects—clearly signal a policy-driven push toward growth. This supports our view that credit growth, which has been muted of late, is likely to accelerate.

In addition, recent strong business updates from banks such as HDFCB, KMB, RBL, BoB, PNB, INBK, and AUBANK have surpassed our credit growth estimates, indicating that banks are actively driving growth. Although CD ratios have increased, this trend aligns well with the ongoing growth momentum. Consequently, we could upgrade our system credit growth estimates for FY26E to around 11%.

2HFY26: Early signs of recovery would be visible

- NIMs near trough:** Sector margins are expected to hit the bottom in 2QFY26 as the full impact of the Jun'25 rate cut flows through lending yields. With deposit repricing underway and the phased 1% CRR cut infusing ~INR2.5t liquidity, NIM recovery is likely to begin from 2HFY26.
- Asset quality stable or improving:** Stress in unsecured retail (MFI/credit cards) persists but appears to be easing early. Credit costs are expected to normalize in 2H, aided by improved collections and better macro conditions.
- Earnings at inflection point:** 2QFY26 should mark the bottom for earnings (assuming no further cuts), weighed down by weak NIMs and higher credit costs. Growth momentum and margin recovery should drive an earnings rebound from 3QFY26 onward. For 2QFY26E, we estimate PVBs' PAT to decline 7.3% YoY/6.7% QoQ and PSBs' PAT to fall 7.1% YoY/1.9% QoQ. For our coverage

universe, we estimate PAT to decline 7.2% YoY/4.5% QoQ. We estimate 17.7% PAT CAGR over FY26-28E. A further risk to earnings trajectory emerges from a potential reduction in repo rates, which is not fully factored into our estimates.

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

- For the banking sector, we believe that the margin contraction will deepen in 2Q as banks absorb the full impact of the 50bp repo cut. A CRR-related credit push is anticipated from 3Q, while lower risk weights on MSMEs and housing are going to push retail credit.
- Deposit repricing, CRR benefits, and easing retail/MFI stress should drive margin gains and asset quality improvement, leading to normalized credit costs and an earnings rebound from 2HFY26.
- We continue to **prefer ICICI Bank, HDFC Bank, SBI and AU Bank**. These banks stand out due to their strong balance sheets, healthy PCR, and relatively better growth prospects, which are expected to help mitigate downside risks to earnings.

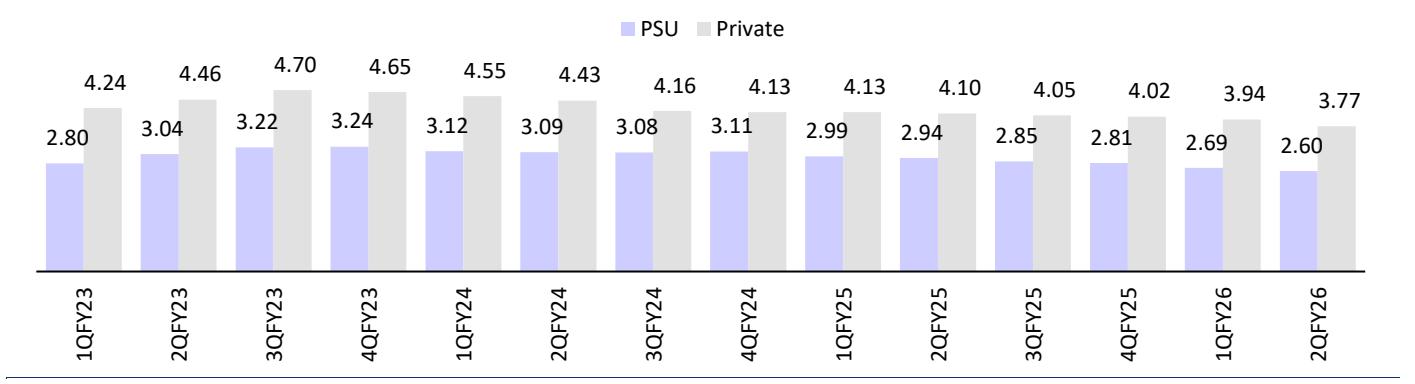
Exhibit 1: NIMs to decline across all banks in our coverage universe

NIM (%)	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E
AXSB	4.01	4.06	4.05	3.99	3.93	3.97	3.80	3.60
HDFCB	3.40	3.44	3.47	3.46	3.43	3.54	3.35	3.24
ICICIBC	4.43	4.40	4.36	4.27	4.25	4.41	4.34*	4.18
IDFCFB	6.42	6.35	6.22	6.18	6.04	5.95	5.71	5.56
IIB	4.29	4.26	4.25	4.08	3.93	2.25	3.46*	3.26
KMB	5.22	5.28	5.02	4.91	4.93	4.97	4.65	4.51
FB	3.19	3.21	3.16	3.12	3.11	3.12	2.94	2.86
BoB	3.10	3.27	3.18	3.10	2.94	2.98	2.91	2.82
CBK	3.03	3.07	2.90	2.86	2.71	2.73	2.55	2.47
PNB	3.15	3.10	3.07	2.92	2.93	2.81	2.70	2.67
SBIN	3.22	3.30	3.22	3.14	3.01	3.00	2.90	2.82
UNBK	3.08	3.09	3.05	2.90	2.91	2.87	2.76	2.67
INBK	3.49	3.52	3.53	3.49	3.57	3.48	3.35	3.27
AUBANK	5.50	5.10	6.00	6.05	5.90	5.80	5.40	5.18
RBK	5.52	5.45	5.67	5.04	4.90	4.89	4.50	4.55
BANDHAN	7.20	7.60	7.60	7.40	6.90	6.70	6.40	5.98
DCBB	3.48	3.62	3.39	3.27	3.30	3.29	3.20	3.10
EQUITAS	8.37	8.17	7.97	7.69	7.39	7.13	6.55	6.30

*adj for interest on IT refund, ICICIBC's NIM stood at 4.27% and IIB at 3.35%

Source: MOFSL, Company

Exhibit 2: Estimate NIMs to decline in 2QFY26 amid rate cut-led re-pricing



Source: MOFSL, Company

Exhibit 3: We estimate sector earnings to bottom out in 2Q; Estimate 17.7% earnings CAGR over FY26-28E

INR b	MOSL Earnings estimates							YoY Growth		
	1Q26A	2Q26E	3Q26E	4Q26E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Private Banks										
AXSB	58.1	55.3	57.9	74.0	245.3	308.4	377.9	-7%	26%	23%
BANDHAN	3.7	3.1	6.4	10.9	24.1	35.3	43.3	-12%	46%	23%
DCBB	1.6	1.4	1.8	2.4	7.2	10.1	13.7	17%	40%	35%
HDFCB	181.6	167.3	174.7	197.2	720.8	831.3	963.3	7%	15%	16%
ICICIBC	127.7	119.4	130.8	142.8	520.6	584.8	684.6	10%	12%	17%
IDFCFB	4.6	3.4	5.1	9.0	22.2	45.5	64.7	46%	105%	42%
IIB	6.0	3.1	8.5	10.7	28.4	48.5	64.7	10%	71%	33%
KMB	32.8	32.7	34.9	40.6	141.0	166.9	203.3	-14%	18%	22%
FB	8.6	8.4	9.8	11.5	38.3	47.8	63.3	-5%	25%	32%
RBK	2.0	1.9	2.6	4.0	10.5	19.0	26.7	51%	81%	40%
AUBANK	5.8	4.9	6.2	9.1	26.0	36.4	47.5	24%	40%	30%
EQUITASB	-2.2	0.3	0.7	1.4	0.2	6.3	10.1	-84%	2586%	59%
Total Pvt	430.3	401.4	439.5	513.6	1,784.7	2,140.3	2,563.1			
YoY growth	-5.4%	-7.3%	4.5%	25.2%	3.8%	19.9%	19.8%			
PSU Banks										
BOB	45.4	42.9	44.7	50.3	183.4	212.5	262.7	-6%	16%	24%
CBK	47.5	42.6	42.2	52.5	184.8	201.7	228.1	9%	9%	13%
INBK	29.7	29.4	30.1	33.6	122.7	128.6	144.4	12%	5%	12%
PNB	16.8	47.9	44.4	53.2	162.2	211.6	244.8	-2%	30%	16%
SBIN	191.6	167.3	161.3	179.7	700.0	802.8	921.5	-1%	15%	15%
UNBK	41.2	35.3	37.5	47.7	161.6	178.8	207.8	-10%	11%	16%
Total PSU	372.2	365.3	360.2	417.0	1,514.7	1,735.9	2,009.3			
YoY growth	7.2%	-7.1%	-4.7%	1.2%	-1.0%	14.6%	15.7%			
Total Banks	802.4	766.6	799.7	930.6	3,299.3	3,876.2	4,572.4			
YoY growth	0.0%	-7.2%	0.2%	13.2%	1.5%	17.5%	18.0%			

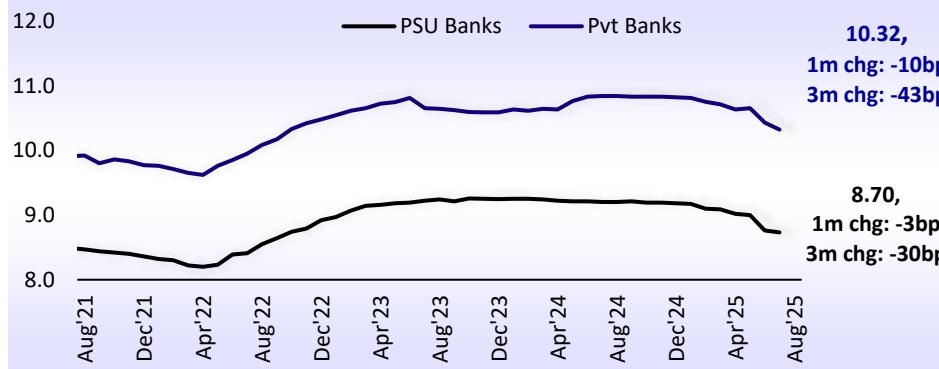
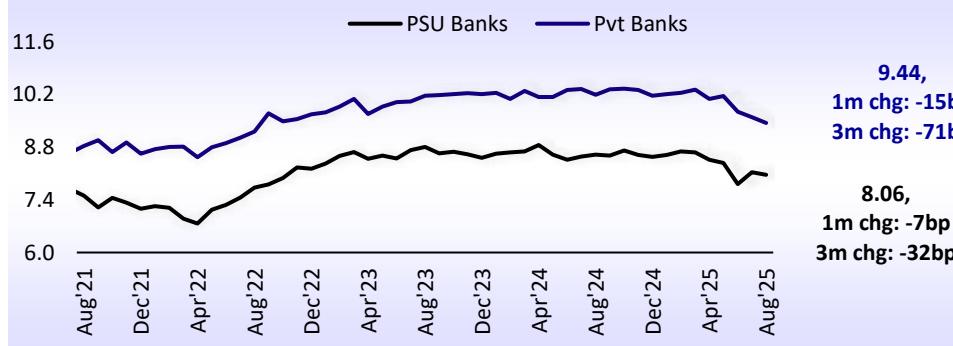
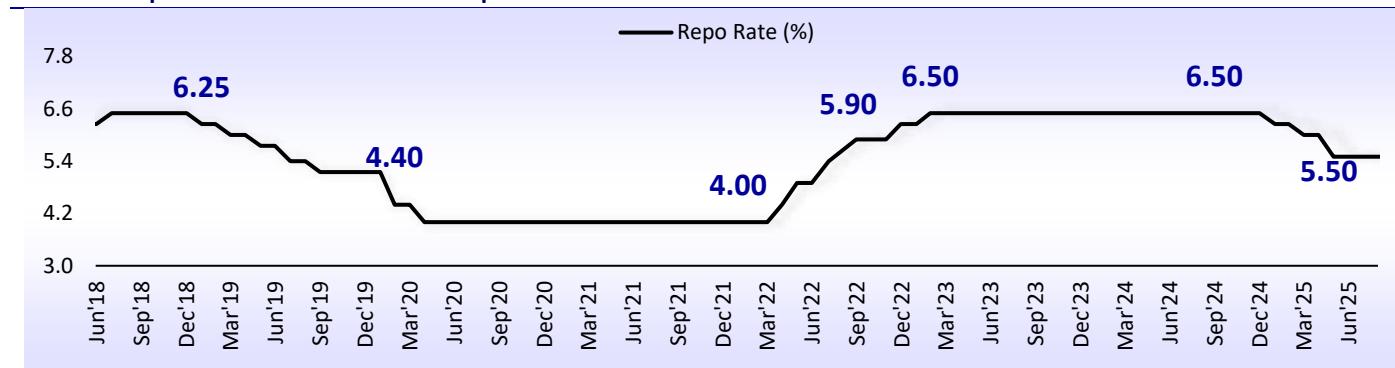
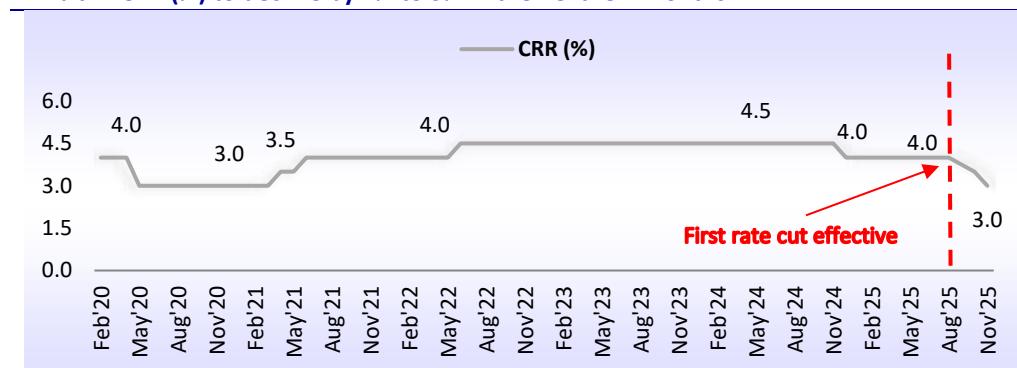
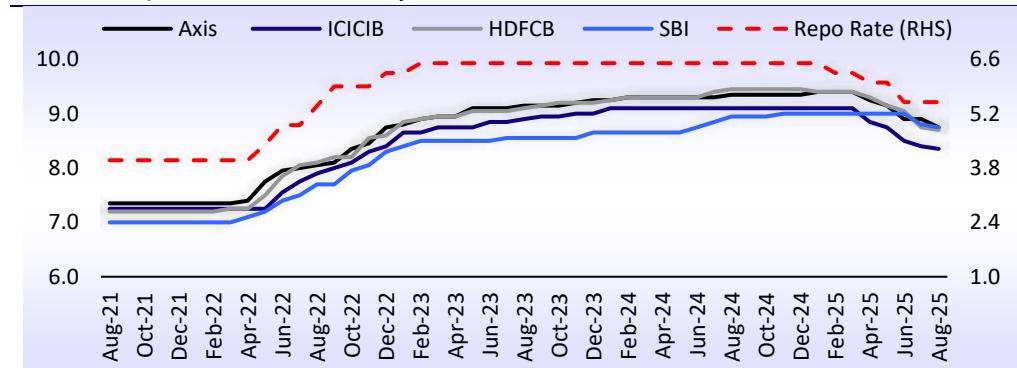
Exhibit 4: WALR on outstanding loans continues to decline for both PSBs and PVBs

Exhibit 5: WALR on fresh loans saw a faster decline for PVBs


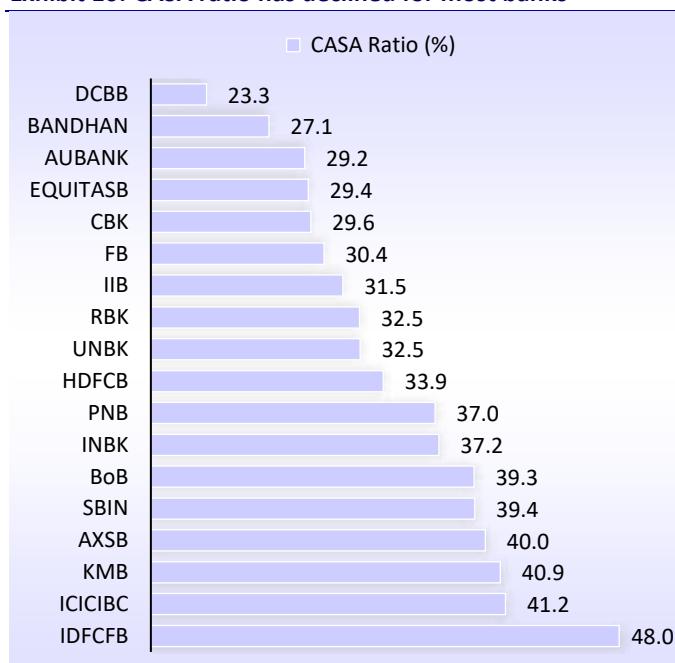
Exhibit 6: Repo rate has seen a cut of 100bp to 5.5% between Feb'25 and Jun'25


CRR to decline in a phased manner to 3%
 3.75% - Effective 6th Sep
3.50% - Effective 4th Oct
 3.25% - Effective 1st Nov
 3.00% - Effective 29th Nov

Exhibit 7: CRR (%) to decline by 1% to 3% in the next few months

Exhibit 8: MCLR for large PVBs declined 40-50bp over the past four months (after the RBI's first rate cut), while it declined 25bp for SBI

Exhibit 9: One-year MCLR rate declined 35-100bp YoY for PVBs, while it fell by 10-40bp for PSBs

	2024				2025					YoY Change (in bp)	QoQ (in bp)
	Mar	Jun	Sep	Dec	Mar	Jun	Aug	Sep			
HDFC Bank	9.30	9.30	9.45	9.45	9.40	9.05	8.70	8.65	(80)	(40)	
ICICI	9.10	9.10	9.10	9.10	9.10	8.50	8.35	8.35	(75)	(15)	
Axis	9.30	9.30	9.35	9.40	9.40	8.90	8.75	8.75	(60)	(15)	
Kotak	9.45	9.50	9.55	9.55	9.55	8.90	8.60	8.55	(100)	(35)	
IIB	10.40	10.45	10.55	10.55	10.45	10.30	10.15	10.15	(40)	(15)	
IDFC First	10.40	10.65	10.55	10.50	10.60	10.35	10.20	10.20	(35)	(15)	
RBL	10.30	10.05	10.40	10.55	10.40	9.90	9.60	9.60	(80)	(30)	
Federal	9.71	9.70	9.80	9.90	9.90	9.50	9.30	9.20	(60)	(30)	
BOB	8.80	8.85	8.95	9.00	9.00	8.90	8.80	8.80	(15)	(10)	
CBK	8.90	8.90	9.00	9.10	9.10	8.80	8.75	8.75	(25)	(5)	
INBK	8.85	8.90	9.00	9.05	9.10	9.05	9.00	8.85	(10)	(20)	
PNB	8.80	8.85	8.90	9.00	9.05	8.95	8.85	8.80	(10)	(15)	
UNBK	8.90	8.90	8.95	9.00	9.00	8.90	8.60	8.60	(40)	(30)	
SBI	8.65	8.75	8.95	9.00	9.00	9.00	8.75	8.75	(20)	(25)	

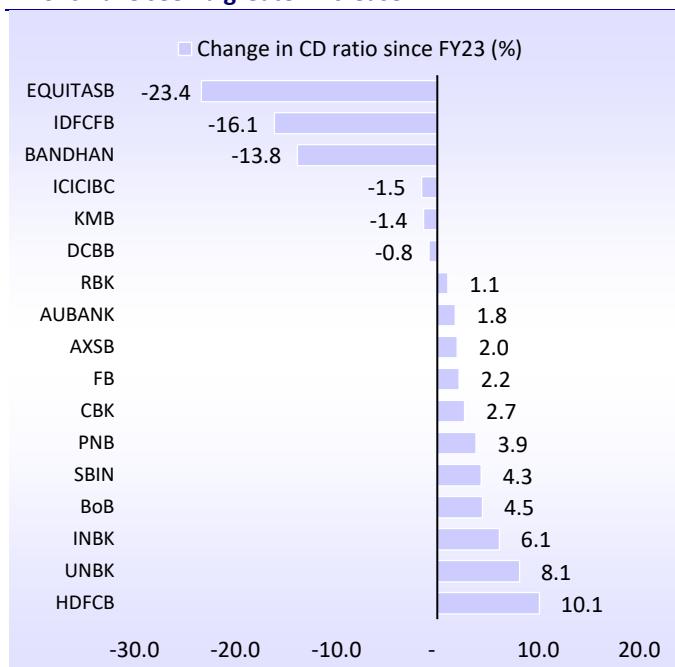
Source: RBI, MOFSL

Exhibit 10: CASA ratio has declined for most banks


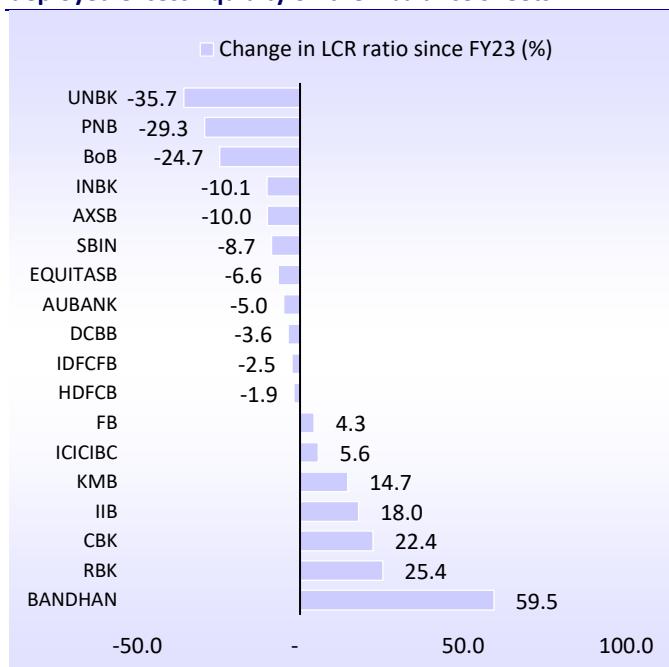
Source: MOFSL, Company

Exhibit 11: Decline in CASA ratio for banks since FY22


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

Exhibit 12: CD ratio has increased for most banks since FY23 – PSBs have seen a greater increase


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

Exhibit 13: Change in LCR ratio since FY23 – most banks have deployed excess liquidity on their balance sheets


Source: MOFSL, Company

Exhibit 14: AXSB, FB, KMB, ICICIBC, and HDFCB have higher EBLR/repo-linked loans; PSBs have higher linkage to MCLR (%)

Loans Mix (%) – 1QFY26	MCLR	EBLR	Repo Linked	Others (Fixed, base rate, foreign currency-floating)
AUBANK	30		6	64
AXSB	9	4	59	28
Equitas		10		90
FB	9		48	43
HDFCB*	25		45	30
ICICIBC	15		1	31
KMB		60		40
RBL	5		47	48
BOB	46	34		20
CBK	45		55	
INBK	52	40		8
PNB	30		15	8
SBIN	31	30		39

*As of 3QFY25; Source: MOFSL, Company

Exhibit 15: SA rates offered by various banks

(%)	SA Rate
AXSB	❖ 2.50%
HDFCB	❖ 2.50%
ICICIBC	❖ 2.50%
KMB	❖ 2.50%
IIB	❖ 2.5% to 5.0% (max rate for deposits above INR10m)
RBK	❖ 3.0% to 6.75% (max rate for deposits between INR2.5m and INR30m)
IDFCFB	❖ 3% to 7.0% (max rate for deposits between INR0.5m and INR10m)
BANDHAN	❖ 2.7% to 6.15% (max rate for deposits above INR50m)
AUBANK	❖ 2.75% to 6.75% (max rate for deposits between INR0.25m and INR100mn)
BOB	❖ 2.50% to 4.75% (max rate for deposits of INR20bn and above)
PNB	❖ 2.5% to 2.7% (max rate for deposits of INR1b and above)
SBIN	❖ 2.50%
DCBB	❖ 1.5% to 7.2% (max rate for deposits between INR10m and INR50m)

Source: MOFSL, Company

Exhibit 16: 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
Large pvt banks					
HDFCB	2.75	4.25	5.50	6.25	6.45
AXSB	3.00	4.00	5.50	6.25	6.60
ICICIBC	2.75	4.00	4.50	6.25	6.60
KMB	2.75	3.50	5.50	6.60	6.60
IIB	3.25	4.75	6.00	7.00	7.00
Mid-size pvt banks					
RBK	3.50	4.50	6.05	7.00	7.20
IDFCFB	3.00	4.00	5.50	6.50	7.00
BANDHAN	2.95	4.20	4.20	7.00	7.20
Federal	3.00	4.25	5.75	6.50	6.50
Small finance banks					
AUBANK	3.50	4.75	6.35	6.90	7.10
EQUITASB	3.50	4.75	6.35	7.00	7.00
JANASFB	5.15	6.00	7.25	7.25	7.50
UJIVAN	3.50	4.65	5.50	7.25	7.25

Banks have changed their SA rates aggressively amid ongoing rate cuts

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

Most banks have cut their savings rate in the range of 50-100bp across buckets.

Exhibit 17: Overview of the changes in SA rates since Apr'25 (%)

Name of Bank	Slabs	Apr-25	Sep-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
DCB Bank	❖ 2000 crore & above	7.03	6.00	-1.03
	❖ < 10 lakhs	4.75	3.75	-1.00
ICICI Bank	❖ 10 lakhs to < 1 crore	7.75	7.15	-0.60
	❖ 1 crore to < 10 crore	8.00	7.20	-0.80
IndusInd Bank	❖ 10 crore and above	8.00	6.60	-1.40
	❖ < 50 Lakhs	3.00	2.50	-0.50
KMB	❖ 50 lakhs or more	3.50	2.50	-1.00
	❖ < 10 lakhs	5.00	3.00	-2.00
SBI	❖ 10 lakhs to < 1 crore	7.00	4.00	-3.00
	❖ 1 crore & above	7.00	5.00	-2.00
PNB	❖ < 50 Lakhs	3.00	2.50	-0.50
	❖ 50 lakhs or more	3.50	2.50	-1.00
BOB	❖ < 10 crore	2.70	2.50	-0.20
	❖ 10 crore or more	3.00	2.50	-0.50
Indian Bank	❖ < 10 Lakhs	2.70	2.50	-0.20
	❖ 10 lakhs to < 100 crore	2.75	2.50	-0.25
RBL Bank	❖ 100 crore & above	3.00	2.70	-0.30
	❖ < 50 lakhs	2.75	2.70	-0.05
AU SFB	❖ 50 lakhs to < 100 crore	3.00	2.75	-0.25
	❖ 100 crore to < 1000 crore	4.10	3.50	-0.60
Federal Bank	❖ 1000 crore and above	4.50	4.75	0.25
	❖ < 10 lakhs	2.75	2.75	0.00
IDFC First Bank	❖ 10 lakhs to < 200 crore	2.80	2.80	0.00
	❖ 200 crore & above	2.90	2.90	0.00
Bandhan Bank	❖ < 10 lakhs	5.50	5.00	-0.50
	❖ 10 lakhs to < 3 crore	7.50	6.75	-0.75
Equitas SFB	❖ 3 crore to < 200 crore	6.00	6.00	0.00
	❖ 200 crore & above	7.33	6.05	-1.28
AU SFB	❖ < 5 crore	3.50	2.50	-1.00
	❖ 5 crore to < 50 crore	5.25	4.75	-0.50
IDFC First Bank	❖ 50 crore to < 150 crore	6.90	6.05	-0.85
	❖ 150 crore & above	3.00	2.50	-0.50
Bandhan Bank	❖ < 10 lakhs	5.00	4.00	-1.00
	❖ 10 lakhs to < 25 lakhs	7.00	6.50	-0.50
Equitas SFB	❖ 25 lakhs to < 25 crore	7.25	6.75	-0.50
	❖ < 5 lakhs	3.00	3.00	0.00
Bandhan Bank	❖ 5 lakhs to < 10 crores	7.25	7.00	-0.25
	❖ 10 crores to < 200 crores	7.25	6.00	-1.25
Equitas SFB	❖ more than 200 crores	3.50	4.00	0.50
	❖ < 10 lakhs	5.00	4.50	-0.50
Bandhan Bank	❖ 10 lakhs to < 5 crore	7.00	5.70	-1.30
	❖ 5 crore to < 250 crore	7.00	6.15	-0.85
Equitas SFB	❖ more than 250 crore	8.15	7.10	-1.05
	❖ < 10 lakhs	5.00	4.50	-0.50
Equitas SFB	❖ 10 lakhs to < 1 crore	7.25	7.00	-0.25
	❖ 1 crore to < 25 crore	7.50	7.00	-0.50
Equitas SFB	❖ more than 25 crore	7.80	7.25	-0.55

Source: MOFSL, Company

TD rates have declined 25bp to 100bp for most banks across maturities.

Exhibit 18: Overview of changes in TD rates since Apr'25 (%)

Name of Bank	Slabs	Apr-25	Sep-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	4.00	-0.75
	❖ 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	6.60	-0.40
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	7.20	-0.80
	❖ 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	5.50	-0.50
	❖ 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
	❖ 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	5.60	-1.20
	❖ 1 year to < 5 years	7.25	6.40	-0.85
	❖ more than 5 years	6.50	6.00	-0.50
BOB	❖ 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	6.60	-0.70
	❖ 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	6.50	-0.65
	❖ 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	7.20	-0.80
	❖ more than 5 years	7.00	6.70	-0.30
AU Small Finance Bank	❖ 0 to < 90 days	5.50	4.75	-0.75
	❖ 90 days to < 1 year	7.25	6.35	-0.90
	❖ 1 year to < 5 years	8.00	7.10	-0.90
	❖ more than 5 years	7.25	6.75	-0.50
Bandhan Bank	❖ 0 to < 90 days	4.50	4.20	-0.30
	❖ 90 days to < 1 year	4.50	4.20	-0.30
	❖ 1 year to < 5 years	8.05	7.20	-0.85
	❖ more than 5 years	5.85	5.85	0.00
Equitas Small Finance Bank	❖ 0 to < 90 days	5.50	4.75	-0.75
	❖ 90 days to < 1 year	7.20	6.35	-0.85
	❖ 1 year to < 5 years	8.05	7.00	-1.05
	❖ more than 5 years	7.25	7.00	-0.25

Source: MOFSL, Company

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

- For the banking sector, we believe that the margin contraction may deepen in 2Q as banks absorb the full impact of the 50bp repo cut. A CRR-related credit push is anticipated from 3Q, while lower risk weights on MSMEs and housing are going to push retail credit.
- Deposit repricing, CRR benefits, and easing retail/MFI stress should drive margin gains and asset quality improvement, leading to normalized credit costs and an earnings rebound from 2HFY26.
- We continue to **prefer ICICI Bank, HDFC Bank, SBI, AU Bank**. These banks stand out due to their strong balance sheets, healthy PCR, and relatively better growth prospects, which are expected to help mitigate downside risks to earnings.

Exhibit 19: 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	1,374	73.1	82.1	2.3	2.3	16.8	16.4	15.1	13.5	2.9	2.5
HDFCB*	Buy	975	47.1	54.3	1.8	1.8	13.7	14.3	17.7	15.3	2.7	2.4
AXSB*	Neutral	1,170	79.2	99.6	1.4	1.6	12.9	14.4	13.0	10.4	1.8	1.6
BANDHAN	Neutral	163	14.9	21.9	1.2	1.5	9.6	13.0	10.9	7.5	1.0	0.9
KMB*	Buy	2,139	70.9	83.9	1.9	2.0	11.7	12.6	19.4	16.4	3.4	3.0
IIB	Neutral	751	36.5	62.2	0.5	0.8	4.3	7.1	20.6	12.1	0.9	0.8
FB	Buy	207	15.6	19.5	1.0	1.1	10.9	12.2	13.3	10.6	1.4	1.2
DCBB	Buy	129	22.9	32.2	0.9	1.0	12.7	15.7	5.6	4.0	0.7	0.6
IDFCFB	Neutral	73	2.8	5.3	0.6	1.0	5.2	9.3	26.3	13.8	1.3	1.2
EQUITASB	Buy	56	0.2	5.5	0.0	1.0	0.4	10.3	270.0	10.1	1.1	1.0
AUBANK	Buy	762	34.9	48.7	1.5	1.7	14.2	17.1	21.8	15.6	2.9	2.5
RBK	Buy	288	17.3	31.3	0.7	1.1	6.6	11.4	16.7	9.2	1.1	1.0
PSU Banks												
SBIN*	Buy	861	77.1	87.0	1.0	1.0	15.4	15.3	8.1	7.2	1.6	1.4
PNB	Buy	114	14.1	18.4	0.8	1.0	12.9	15.0	8.1	6.2	1.0	0.9
BOB	Neutral	264	35.4	41.0	1.0	1.0	13.9	14.7	7.5	6.4	1.0	0.9
CBK	Buy	126	20.4	22.2	1.1	1.1	18.7	18.3	6.2	5.7	1.1	1.0
UNBK	Neutral	138	21.2	23.4	1.0	1.1	14.3	14.1	6.5	5.9	0.9	0.8
INBK	Buy	767	91.1	95.5	1.3	1.3	18.3	16.9	8.4	8.0	1.4	1.2
Payments & Fintech												
SBI Cards	Neutral	926	28.1	39.6	3.8	4.6	17.8	21.0	33.0	23.4	5.4	4.5
			EPS (INR)		PAT (INRb)		RoA (%)		RoE (%)		P/E (x)	
One 97 Comm.	Neutral	1,246	9.8	19.0	6.4	12.7	2.8	5.0	4.2	8.1	127.2	65.5

* Adjusted for subsidiaries, Source: MOFSL, Company

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