

| Month | SCBs | | |
|--------|------------------|--------------------|-------|
| | WALR – O/s Loans | WALR - Fresh Loans | WATDR |
| Apr-24 | 9.81 | 9.55 | 6.91 |
| May-24 | 9.86 | 9.45 | 6.92 |
| Jun-24 | 9.89 | 9.32 | 6.91 |
| Jul-24 | 9.89 | 9.40 | 6.92 |
| Aug-24 | 9.89 | 9.41 | 6.93 |
| Sep-24 | 9.88 | 9.37 | 6.95 |
| Oct-24 | 9.88 | 9.54 | 6.96 |
| Nov-24 | 9.87 | 9.40 | 6.98 |
| Dec-24 | 9.86 | 9.25 | 7.00 |
| Jan-25 | 9.85 | 9.32 | 7.02 |
| Feb-25 | 9.78 | 9.40 | 7.02 |
| Mar-25 | 9.75 | 9.35 | 7.04 |
| Apr-25 | 9.68 | 9.26 | 7.01 |

| Month | PSBs | | |
|--------|------------------|--------------------|-------|
| | WALR – O/s Loans | WALR - Fresh Loans | WATDR |
| Apr-24 | 9.22 | 8.85 | 6.97 |
| 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 |

| Month | Private Banks | | |
|--------|------------------|--------------------|-------|
| | WALR - O/s Loans | WALR - Fresh Loans | WATDR |
| Apr-24 | 10.63 | 10.13 | 6.88 |
| May-24 | 10.76 | 10.13 | 6.90 |
| Jun-24 | 10.83 | 10.31 | 6.83 |
| Jul-24 | 10.84 | 10.34 | 6.85 |
| Aug-24 | 10.84 | 10.19 | 6.85 |
| Sep-24 | 10.83 | 10.33 | 6.87 |
| Oct-24 | 10.83 | 10.35 | 6.89 |
| Nov-24 | 10.83 | 10.31 | 6.90 |
| Dec-24 | 10.82 | 10.16 | 6.92 |
| Jan-25 | 10.81 | 10.20 | 6.92 |
| Feb-25 | 10.75 | 10.24 | 6.93 |
| Mar-25 | 10.71 | 10.32 | 6.93 |
| Apr-25 | 10.63 | 10.08 | 6.94 |

Rate transmission to suppress lending yields; margin bias negative in 1HFY26

Decline in WALR and steady WATDR point to NIM pressure for banks

- The Weighted Average Lending Rate (WALR) on fresh loans decreased 9bp MoM in Apr'25, following a 5bp decline in Mar'25. Public Sector Banks (PSBs) reported a 20bp decline MoM (down 2bp MoM in Mar'25), while Private Banks (PVBs) reported a sharp reduction of 24bp MoM (up 8bp MoM in Mar'25).
- WALR on outstanding loans for the system declined 7bp MoM to 9.68%, with PSBs reporting a 7bp MoM decline to 9.02% and PVBs reporting an 8bp MoM decline to 10.63%.
- The Weighted Average Term Deposit Rate (WATDR) for the system declined marginally 3bp MoM to 7.01%. During Jan'25-Apr'25, the WATDR remained flat at 7.01%, indicating heightened competition for deposits as credit growth continued to moderate.
- As of 16th May'25, systemic credit growth declined to ~9.8% amid higher CD ratio and stress in the system. Our checks suggest that banks are currently following a conservative path with a keen focus on asset quality vs disbursement velocity.
- We expect banks' NIMs to experience a downward bias in the near term, with growth likely to be slower in FY26 amid a slowdown in retail and corporate lending. We expect our overall coverage universe to clock an earnings CAGR of 11.5%.
- Our top picks are ICICI, HDFCB, SBIN, and AUBANK.

WALR on fresh loans decreases in Apr'25; decline in O/S WALR loans amid rate cuts suggests NIM contraction for banks

- WALR on fresh loans declined 9bp MoM (down 5bp in Mar'25), with a sharp reduction of 24bp MoM for PVBs and 20bp MoM for PSBs. During Jan-Apr'25, WALR on fresh loans reduced 12bp for PVBs and 13bp for PSBs.
- Following two successive 25bp rate cuts, fresh rupee loan over repo premium increased to 4.08% for PVBs and 2.46% for PSBs (the highest premium since Aug'22). The decline in fresh rupee loans turned out to be lower compared to the decline in repo rates. With more rate cuts expected, banks are likely to pass on these reductions, which should lead to a further decline in fresh rupee rates.
- **WALR on O/S loans declined 7bp MoM** to 9.68% (vs a 3bp MoM decline in Mar'25) and has been on a downward trend over the past three months. During this period, O/S loans declined 17bp compared to a 50bp decline in the repo rate and are expected to decline further as the rate cuts intensifies.
- The one-year MCLR for most PVBs declined 10-35bp, with ICICI Bank recording the highest reduction of 35bp. In contrast, PSBs saw an increase of 5-25bp over the past year.

WATDR trend stands flat MoM for both PSBs and PVBs

- WATDR declined marginally by 3bp MoM in Apr'25, with both PSBs and PVBs reporting a flat trend. During Jan'25-Apr'25, WATDR remained flat for both PSBs and PVBs, indicating intense competition within the industry and suggesting higher CoF in 1HFY26.
- Following a 50bp cut in repo rates, banks have reduced their SA rates across most buckets as well as reduced peak TD rates in certain higher maturity buckets.
- With RBI continuously injecting liquidity into the system, the revival of deposits will be crucial for reducing overall costs. Given the lag in deposit repricing, we estimate the CoF to reduce from 2HFY26 onwards.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Dixit Sankharva (Dixit.sankharva@motilaloswal.com) | **Disha Singhal** (Disha.Singhal@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Credit growth declines to ~9.8% YoY; deposit growth stands at ~10%

- Systemic credit growth declined to ~9.8% YoY, following a busy 4Q season for banks, and was further impacted by a slowdown in retail, subdued demand in the secured segment, and an elevated CD ratio in the system.
- Deposit growth remained stagnant at 10-12% over the past 2-3 years. With a higher CD ratio in the system, overall credit growth dipped to ~9.8%. **We estimate credit growth to sustain at ~12% YoY in FY26.**

CD ratio remains high at 79.6%; incremental CD ratio declines to 78.5% vs 85.3% (at the start of the first rate cut)

- O/S LDR has slightly reduced to 79.6% from the highs of 80.4% in Dec'24. Most PVBs have already utilized their balance sheets, while PSBs have also increased their LDR levels over the past 1-2 years.
- The outstanding CD ratio has increased for most banks, with PSBs exhibiting higher incremental CD ratios vs PVBs. Among PSBs, Indian Bank, BoB, SBI, and Union Bank reported higher incremental CD ratios in the range of 94-114% over the past year, indicating greater utilization of their balance sheets. Among PVBs, IIB's incremental CD ratio remained low at 6.5% (amid the bank run), while HDFC's incremental CD ratio was lower at 40.2% (to manage the merger). PSBs continued to maintain healthy LCR levels vs private peers.

Rate transmission to affect lending yields; NIM bias negative in 1HFY26

- The turn in the repo cycle has started to impact portfolio yields for banks, as reflected in recent data on WALR for both fresh and outstanding loans. Further repo cuts in CY26 are expected to lead to a negative impact on bank margins in the near term.
- The decline in WALR on O/S and fresh loans, vs a stagnant WATDR due to a lag in rate transmission, is expected to continue keeping NIMs under check.
- We estimate that NIMs will experience a negative bias in 1HFY26, as further rate cuts are expected to exert pressure on lending yields. However, the lagged pass-through of deposit rate reductions is expected to slightly improve NIMs in 2HFY26.
- In 4QFY25, banks reported mixed trends, with large PVBs showing an expansion in NIMs due to day count adjustment, while PSBs showed a mild contraction.

Earnings growth to bottom out in FY26; 2HFY26 to be better than 1HFY26E; Top ideas: ICICIB, HDFCB, SBI, and AUBANK

- With repo cuts now in effect, banks have started to witness a decline in WALR on loans. As inflation is on the lower trend, further rate cuts appear imminent, which will likely impact lending yields. To mitigate this, most banks have already cut their SA rates across buckets and have cut peak TD rates in higher maturity buckets, which should help negate some of the impact of declining yields.
- Credit growth for the system has declined to ~9.8% as of 16th May'25. Our channel check note ([Link](#)) and interactions with industry experts suggest that banks are currently following a conservative path with a keen focus on asset quality vs disbursement velocity. Retail disbursements are flowing selectively into high-score, well-documented profiles, while corporate loan growth is expected to remain modest in FY26.
- We expect banks' NIMs to exhibit a downward bias in the near term, while loan growth is likely to be slower in FY26 amid a slowdown in retail and corporate lending. Consequently, we expect private banks to report an aggregate earnings CAGR of 15.1% over FY25-27. For PSBs, we estimate an earnings CAGR of 7%

over the same period. We expect our overall coverage universe to clock an earnings CAGR of 11.5%. A healthy balance sheet, robust PCR, and well-maintained contingent buffers are expected to mitigate downside risks to earnings.

■ **Top picks: ICICI, HDFCB, SBI, and AUBANK.**

Exhibit 1: WALR on outstanding loans declined for both PSBs and PVBs in Apr'25

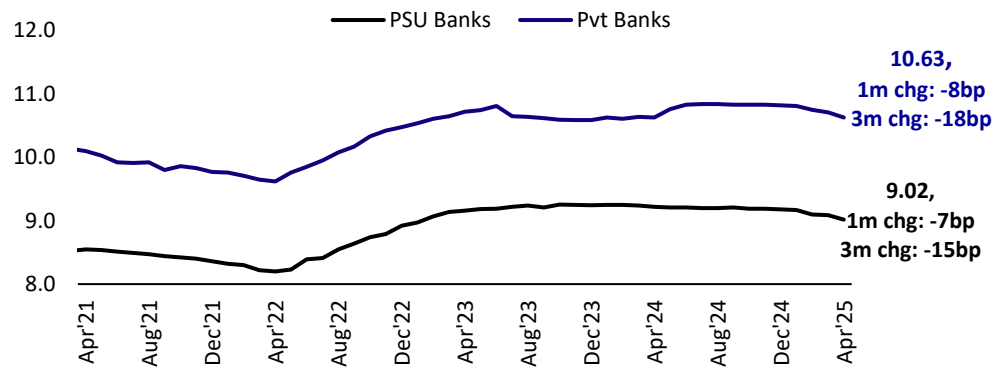


Exhibit 2: WALR on fresh loans decreased sharply MoM for both PVBs and PSBs amid repo rate cuts

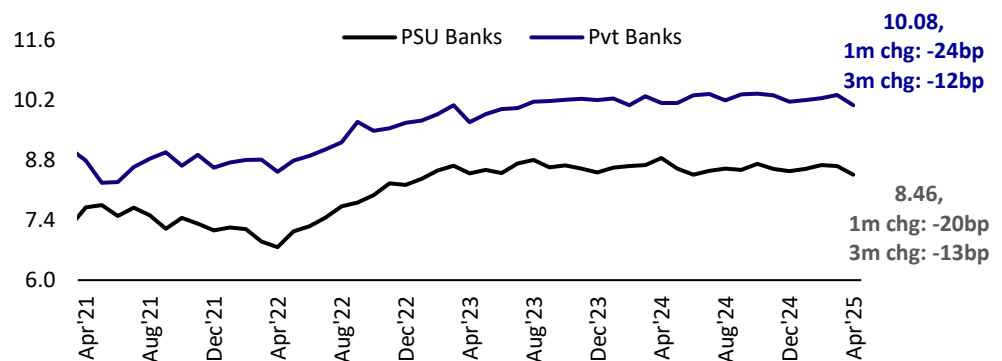
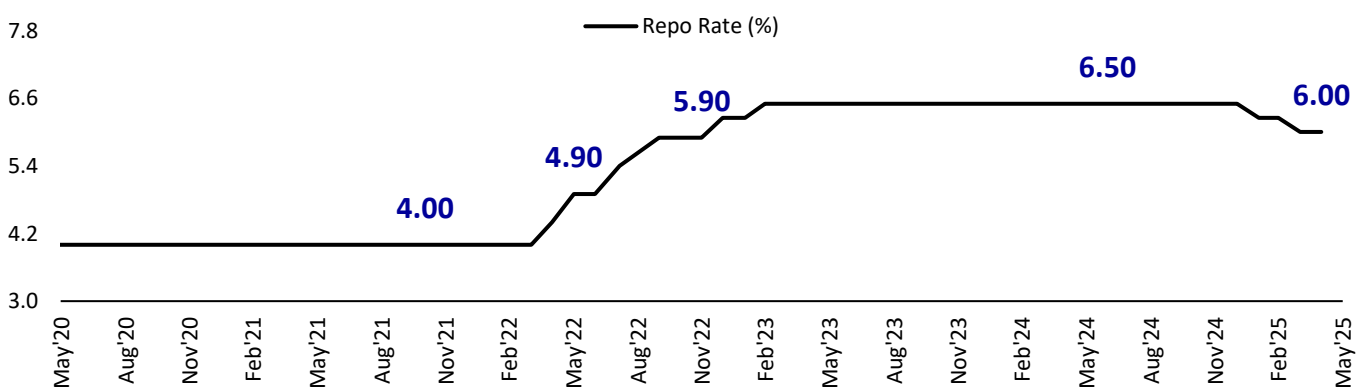


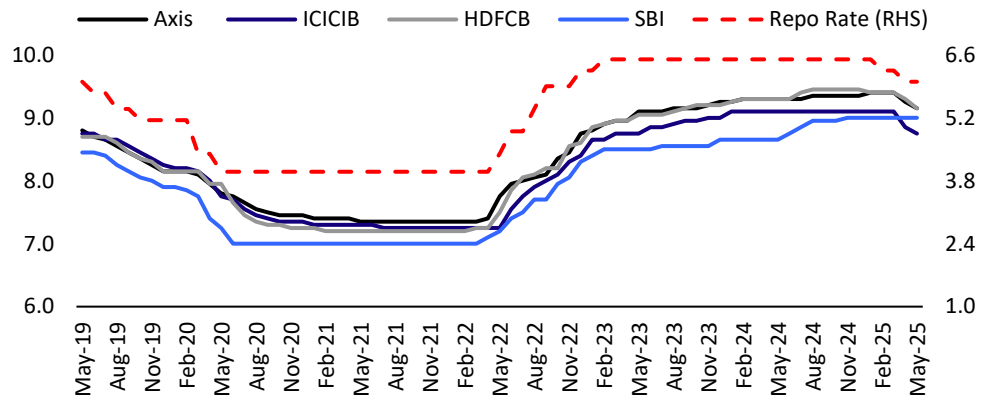
Exhibit 3: Repo rate dipped 50bp between Feb-May'25 to 6.0%



Source: RBI, MOFSL

Exhibit 4: MCLR for large PVBs declined 25-35bp 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 35bp in the past three months among the top four banks.



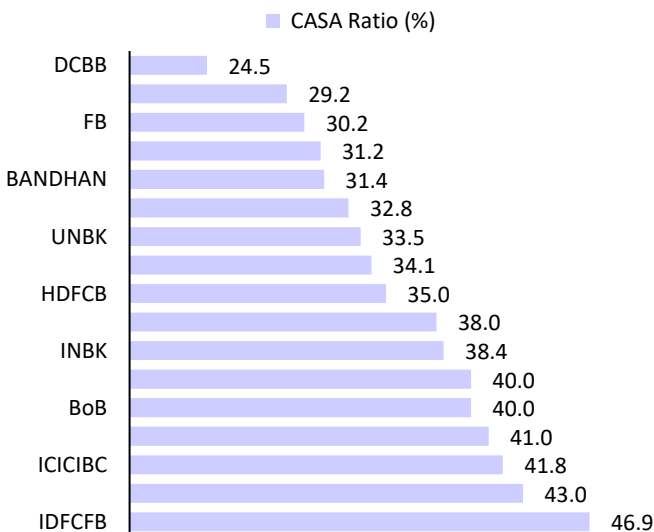
Source: RBI, MOFSL

Exhibit 5: One-year MCLR rate declined 10-35bp YoY for PVBs, while it rose by 5-35bp for PSBs

| | 2021 | 2022 | | | | 2023 | | | | 2024 | | | | 2025 | | | YoY Change |
|------------|------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------------|
| | Oct | Jan | Apr | Jul | Oct | Jan | Apr | Jul | Oct | Jan | Apr | Jul | Oct | Jan | Apr | May | (in %) |
| HDFC Bank | 7.20 | 7.20 | 7.25 | 8.05 | 8.20 | 8.85 | 8.95 | 9.05 | 9.20 | 9.25 | 9.30 | 9.40 | 9.45 | 9.40 | 9.30 | 9.15 | (0.15) |
| ICICI | 7.25 | 7.25 | 7.25 | 7.75 | 8.10 | 8.65 | 8.75 | 8.85 | 8.95 | 9.10 | 9.10 | 9.10 | 9.10 | 9.10 | 8.85 | 8.75 | (0.35) |
| Axis | 7.35 | 7.35 | 7.40 | 8.00 | 8.35 | 8.80 | 8.95 | 9.10 | 9.15 | 9.25 | 9.30 | 9.30 | 9.35 | 9.40 | 9.25 | 9.15 | (0.15) |
| Kotak | 7.20 | 7.25 | 7.40 | 8.05 | 8.45 | 8.95 | 9.10 | 9.25 | 9.35 | 9.45 | 9.45 | 9.50 | 9.55 | 9.55 | 9.35 | 9.20 | (0.25) |
| IIB | 8.45 | 8.45 | 8.55 | 9.10 | 9.55 | 9.95 | 10.20 | 10.25 | 10.30 | 10.35 | 10.40 | 10.45 | 10.55 | 10.55 | 10.40 | 10.35 | (0.10) |
| IDFC First | 8.30 | 8.35 | 8.35 | 8.80 | 9.10 | 9.50 | 9.85 | 9.95 | 10.05 | 10.25 | 10.45 | 10.60 | 10.45 | 10.55 | 10.60 | 10.45 | (0.10) |
| RBL | 8.15 | 8.35 | 8.60 | 9.15 | 9.70 | 9.95 | 10.20 | 10.10 | 10.20 | 10.30 | 10.55 | 10.30 | 10.50 | 10.45 | 10.35 | 10.10 | (0.25) |
| Federal | 8.10 | 8.10 | 8.00 | 8.30 | 8.70 | 9.20 | 9.30 | 9.45 | 9.50 | 9.70 | 9.70 | 9.70 | 9.80 | 9.90 | 9.80 | 9.60 | (0.10) |
| BOB | 7.30 | 7.30 | 7.35 | 7.65 | 7.95 | 8.50 | 8.60 | 8.65 | 8.70 | 8.80 | 8.85 | 8.90 | 8.95 | 9.00 | 9.00 | 8.95 | 0.10 |
| CBK | 7.25 | 7.25 | 7.25 | 7.50 | 7.90 | 8.35 | 8.65 | 8.65 | 8.70 | 8.80 | 8.90 | 8.95 | 9.05 | 9.10 | 9.10 | 9.00 | 0.10 |
| INBK | 7.35 | 7.30 | 7.30 | 7.55 | 7.85 | 8.30 | 8.60 | 8.65 | 8.70 | 8.80 | 8.85 | 8.95 | 9.00 | 9.05 | 9.10 | 9.10 | 0.25 |
| PNB | 7.25 | 7.25 | 7.25 | 7.55 | 7.75 | 8.30 | 8.50 | 8.60 | 8.65 | 8.70 | 8.80 | 8.85 | 8.95 | 9.00 | 9.05 | 8.95 | 0.15 |
| UNBK | 7.25 | 7.25 | 7.25 | 7.55 | 7.90 | 8.40 | 8.65 | 8.65 | 8.70 | 8.80 | 8.90 | 8.90 | 9.00 | 9.00 | 9.00 | 8.95 | 0.05 |
| SBI | 7.00 | 7.00 | 7.10 | 7.50 | 7.95 | 8.40 | 8.50 | 8.55 | 8.55 | 8.65 | 8.65 | 8.85 | 8.95 | 9.00 | 9.00 | 9.00 | 0.35 |

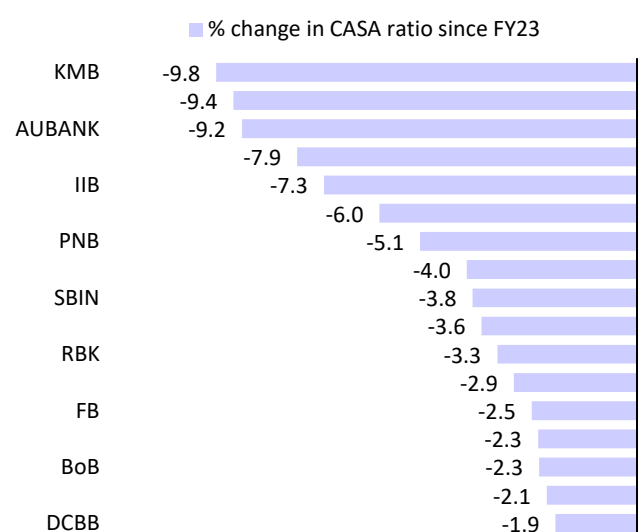
Source: RBI, MOFSL

Exhibit 6: CASA ratio for banks declined in recent years



Source: MOFSL, Company

Exhibit 7: Decline in CASA ratio for banks since FY23

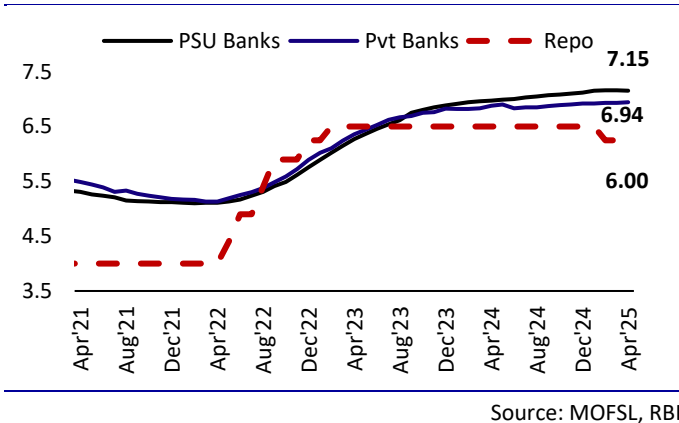


Note: Decline in HDFCB is attributed partly to the merger;
Source: MOFSL, Company

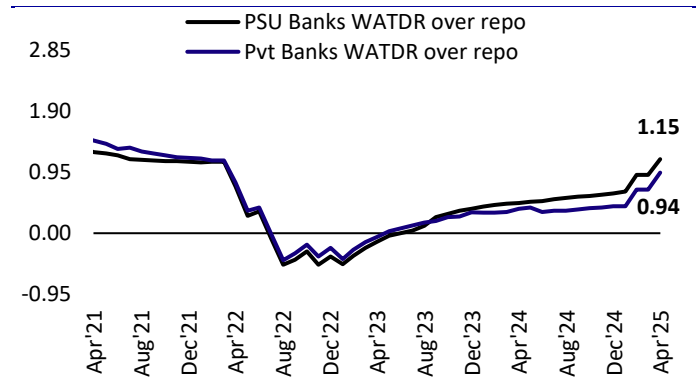
Exhibit 8: As of 4QFY25, PSBs had a sizeable mix of MCLR-linked loans (%)

| 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 9: WATDR stood flat at 7.15% for PSBs and 6.94% for PVBs


Source: MOFSL, RBI

Exhibit 10: WATDR over repo gap widened amid a decline in repo rate, while WATDR remained flat over the past three months


Source: MOFSL, RBI

Banks have cut their savings account rates amid declining interest rates.

Exhibit 11: SA rates offered by various banks

| (%) | SA Rate |
|---------|---|
| AXSB | 2.75%/3.25% (>INR5m) |
| HDFCB | 2.75%/3.25% (>INR5m) |
| ICICIB | 2.75%/3.25% (>INR5m) |
| KMB | 2.75%/3.25% (>INR5m) |
| IIB | 3.0% to 7.0% (max rate for deposits between INR5m and above) |
| RBK | 3.25% to 7.50% (max rate for deposits between INR2.5m and INR30m) |
| IDFCFB | 3% to 7.0% (max rate for deposits between INR0.5m and INR250m) |
| BANDHAN | 3.0% to 6.5% (max rate for deposits above INR50m) |
| AUBANK | 3.0% to 7.00% (max rate for deposits between INR1m and above) |
| BOB | 2.75%/4.5% (max rate for deposits of INR10b and above) |
| PNB | 2.7%/3.0% (max rate for deposits of INR1b and above) |
| SBIN | 2.7%/3% (max rate for deposits >INR100m) |
| DCBB | 1.5% to 7.25% (max rate for deposits between INR20m and INR30m) |

Source: MOFSL, Company

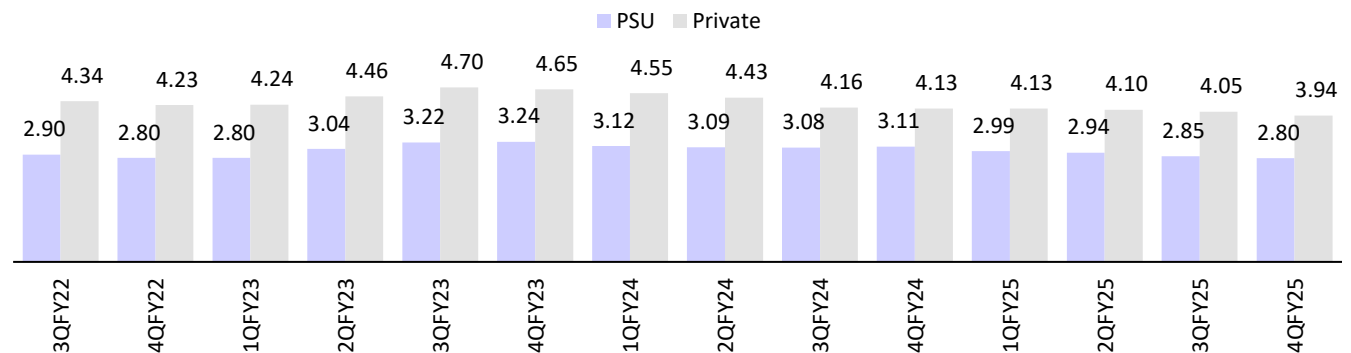
Most banks have lowered their peak TD rates in longer maturity buckets.

Exhibit 12: 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 | 3.00 | 4.50 | 5.75 | 6.50 | 6.70 |
| AXSB | 3.00 | 4.25 | 5.75 | 6.50 | 6.85 |
| ICICIBC | 3.00 | 4.25 | 5.75 | 6.50 | 6.85 |
| KMB | 2.75 | 3.50 | 6.00 | 6.95 | 6.95 |
| IIB | 3.50 | 5.00 | 7.00 | 7.50 | 7.25 |
| Mid-size pvt banks | | | | | |
| RBK | 3.50 | 4.50 | 6.05 | 7.50 | 7.75 |
| IDFCB | 3.00 | 4.50 | 4.50 | 6.75 | 7.15 |
| BANDHAN | 3.00 | 4.50 | 4.50 | 7.75 | 7.65 |
| Federal | 3.00 | 4.50 | 6.00 | 7.15 | 7.10 |
| Small finance banks | | | | | |
| AUBANK | 3.75 | 5.50 | 7.00 | 7.60 | 7.50 |
| EQUITASB | 3.50 | 5.50 | 6.00 | 7.90 | 8.05 |
| JANASFB | 3.00 | 5.00 | 6.50 | 8.05 | 8.05 |
| UJJIVAN | 3.75 | 4.25 | 7.00 | 7.90 | 8.05 |

Source: MOFSL, Company

Exhibit 13: NIMs (calculated) experienced a contraction over the past few quarters



Source: MOFSL, Company

Exhibit 14: NIMs (reported) expanded for large private banks in 4QFY25, while they contracted for PSU banks

| NIM (%) | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 |
|---------|------|------|------|------|------|------|------|------|
| AXSB | 4.10 | 4.11 | 4.01 | 4.06 | 4.05 | 3.99 | 3.93 | 3.97 |
| HDFCB | 4.10 | 3.40 | 3.40 | 3.44 | 3.47 | 3.46 | 3.43 | 3.54 |
| ICICIBC | 4.78 | 4.53 | 4.43 | 4.40 | 4.36 | 4.27 | 4.25 | 4.41 |
| IDFCB | 6.33 | 6.32 | 6.42 | 6.35 | 6.22 | 6.18 | 6.04 | 5.95 |
| IIB | 4.29 | 4.29 | 4.29 | 4.26 | 4.25 | 4.08 | 3.93 | 2.25 |
| KMB | 5.57 | 5.22 | 5.22 | 5.28 | 5.02 | 4.91 | 4.93 | 4.97 |
| FB | 3.20 | 3.22 | 3.19 | 3.21 | 3.16 | 3.12 | 3.11 | 3.12 |
| BoB | 3.27 | 3.07 | 3.10 | 3.27 | 3.18 | 3.10 | 2.94 | 2.86 |
| CBK | 3.05 | 3.00 | 3.03 | 3.07 | 2.90 | 2.86 | 2.71 | 2.73 |
| PNB | 3.08 | 3.11 | 3.15 | 3.10 | 3.07 | 2.92 | 2.93 | 2.81 |
| SBIN | 3.33 | 3.29 | 3.22 | 3.30 | 3.22 | 3.14 | 3.01 | 3.00 |
| UNBK | 3.13 | 3.18 | 3.08 | 3.09 | 3.05 | 2.90 | 2.91 | 2.87 |
| INBK | 3.61 | 3.52 | 3.49 | 3.52 | 3.53 | 3.49 | 3.57 | 3.48 |
| AUBANK | 5.72 | 5.50 | 5.50 | 5.10 | 6.00 | 6.05 | 5.90 | 5.80 |
| RBK | 5.53 | 5.54 | 5.52 | 5.45 | 5.67 | 5.04 | 4.90 | 4.89 |
| BANDHAN | 7.30 | 7.20 | 7.20 | 7.60 | 7.60 | 7.40 | 6.90 | 6.70 |
| DCBB | 3.83 | 3.69 | 3.48 | 3.62 | 3.39 | 3.27 | 3.30 | 3.29 |

Source: MOFSL, Company

Exhibit 15: As of 16^h May'25, deposit growth declined to 10.0% YoY; credit growth declined to ~9.8% YoY

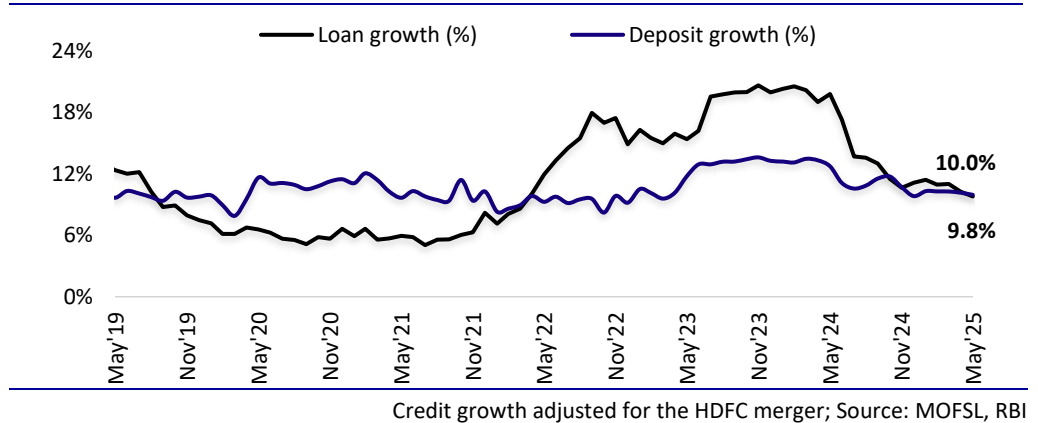


Exhibit 16: Differential between credit and deposit growth turned negative to -0.2%

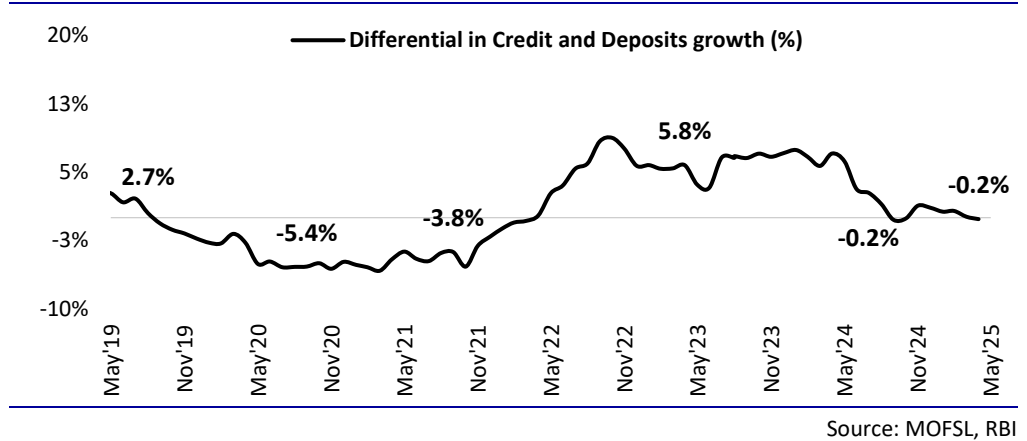


Exhibit 17: CD ratio remained high for PVBs; PSBs comparatively maintained a lower CD ratio (as of 4QFY25)

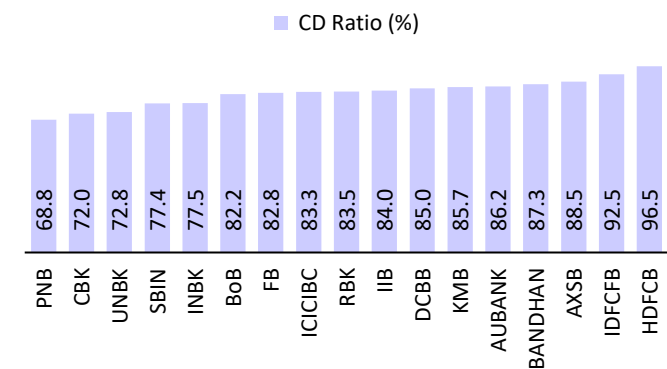


Exhibit 18: LCR healthy for most PSBs; PVBs' LCR ratio remained at 116-163% range

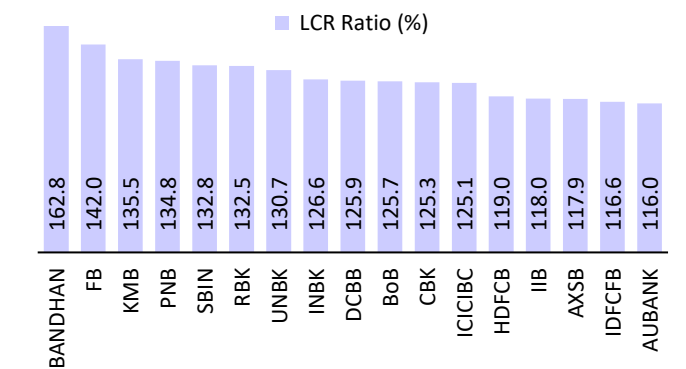
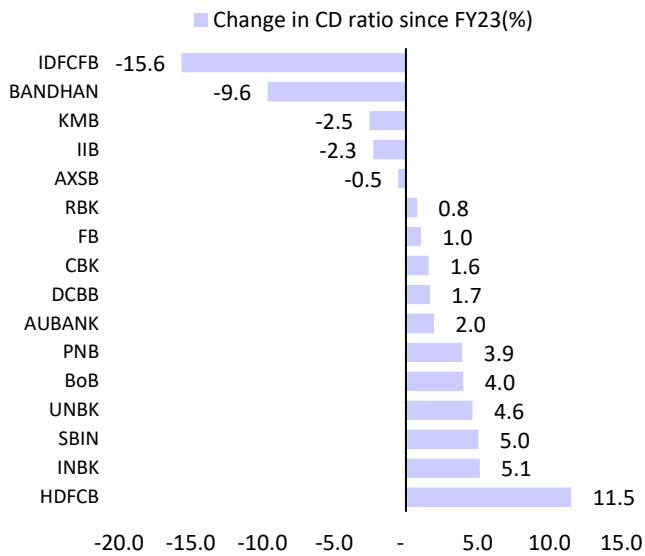
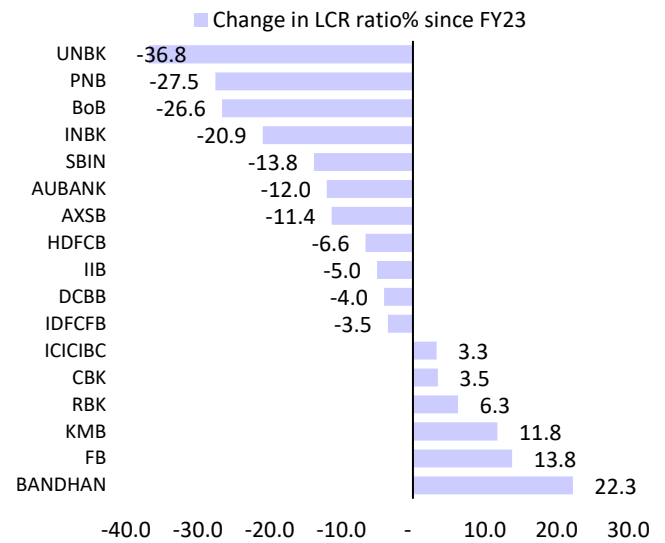


Exhibit 19: CD ratio has increased for most banks since FY23 – PSBs have seen more increase in CD ratio post FY23



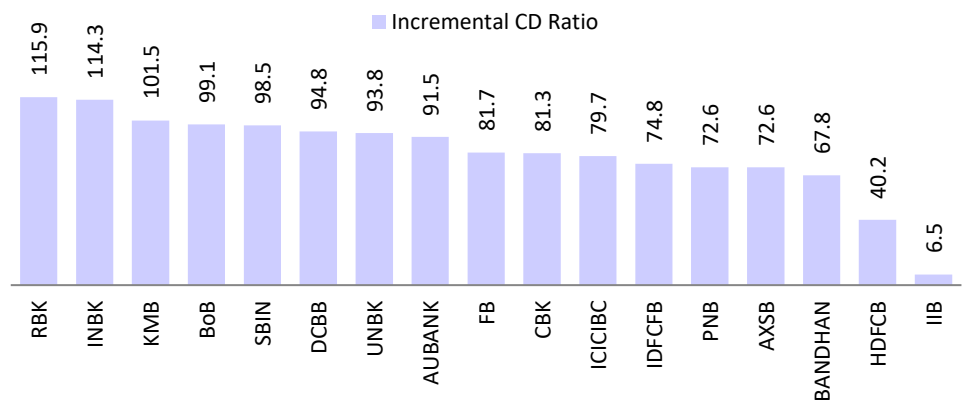
Higher CD ratio for HDFCB amid the merger; Source: MOFSL, Company

Exhibit 20: Changes in LCR ratio since FY23 – most banks have deployed excess liquidity on their balance sheets



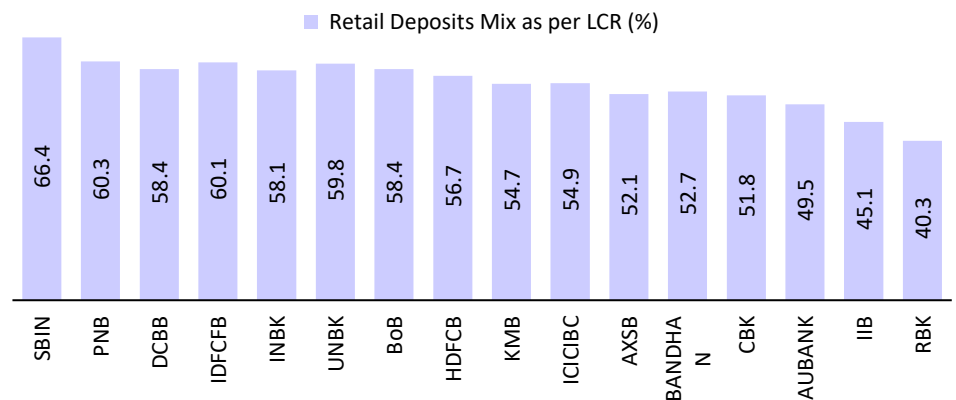
Source: MOFSL, Company

Exhibit 21: Incremental CD ratio has been high for PSBs in the past year



Source: MOFSL, Company

Exhibit 22: Retail deposits across banks as per LCR



Source: MOFSL, Company

Exhibit 23: 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 |
| ICICIB | 8.8 | 8.0 | 20.0 | 9.9 | -2.0 | 21.0 | 5.2 | 13.0 | 9.0 | 5.0 | 18.0 | 9.0 |
| IDFCB** | 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

Earnings growth to bottom out in FY26; 2HFY26 to be better than 1HFY26; Top ideas: ICICIB, HDFCB, SBI, and AUBANK

- With repo cuts now in effect, banks have started to witness a decline in WALR on loans. As inflation is on a lower trend, further rate cuts appear imminent, which is expected to impact lending yields. To mitigate this, most banks have already cut their SA rates across buckets and have also cut peak TD rates in higher maturity buckets, which should help negate some of the impact of declining yields.
- Credit growth for the system has already declined to ~9.8% as of 16th May'25. Our channel check note ([Link](#)) and interactions with industry experts suggest that banks are currently following a conservative path with a keen focus on asset quality vs disbursement velocity. Retail disbursements are flowing selectively into high-score, well-documented profiles, and corporate loan growth is expected to remain modest in FY26.
- We expect banks' NIMs to experience a downward bias in the near term, while growth is likely to be slower in FY26 amid a slowdown in retail and corporate lending. Consequently, we expect PVBs to report an aggregate earnings CAGR of 15.1% over FY25-27, while PSBs are expected to record a CAGR of 7% over the same period. We estimate our overall coverage universe to post an earnings CAGR of 11.5%. A healthy balance sheet, robust PCR, and well-maintained contingent buffers are expected to mitigate the downside risks to earnings.
- **Top picks: ICICI, HDFCB, SBI, and AUBANK.**

Exhibit 24: 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 | | | | | | | | | | | | | |
| ICICIB IN | ICICIB* | Buy | 1,438 | 72.9 | 85.5 | 2.3 | 2.3 | 17.1 | 17.5 | 16.1 | 13.7 | 3.2 | 2.7 |
| HDFCB IN | HDFCB* | Buy | 1,925 | 96.7 | 112.6 | 1.8 | 1.9 | 14.0 | 14.6 | 16.7 | 14.4 | 2.7 | 2.4 |
| AXSB IN | AXSB* | Neutral | 1,182 | 90.9 | 107.1 | 1.6 | 1.7 | 14.6 | 15.0 | 11.6 | 9.8 | 1.8 | 1.5 |
| BANDHAN IN | BANDHAN | Neutral | 170 | 19.8 | 23.9 | 1.6 | 1.7 | 12.7 | 14.3 | 8.6 | 7.1 | 1.1 | 1.0 |
| KMB IN | KMB* | Buy | 2,046 | 76.6 | 89.7 | 2.1 | 2.1 | 12.6 | 13.3 | 16.6 | 14.2 | 3.3 | 2.9 |
| IIB IN | IIB | Neutral | 800 | 44.2 | 57.0 | 0.6 | 0.7 | 5.2 | 6.4 | 18.1 | 14.0 | 0.9 | 0.9 |
| FB IN | FB | Buy | 211 | 18.0 | 22.5 | 1.2 | 1.3 | 12.5 | 14.0 | 11.7 | 9.4 | 1.4 | 1.2 |
| DCBB IN | DCBB | Buy | 146 | 24.2 | 31.0 | 0.9 | 1.0 | 13.3 | 15.1 | 6.1 | 4.7 | 0.7 | 0.7 |
| IDFCFB IN | IDFCFB | Neutral | 67 | 3.5 | 5.8 | 0.7 | 1.1 | 6.5 | 10.0 | 19.2 | 11.6 | 1.2 | 1.1 |
| EQUITASB IN | EQUITASB | Buy | 65 | 4.0 | 8.9 | 0.8 | 1.5 | 7.4 | 15.2 | 16.3 | 7.3 | 1.2 | 1.1 |
| AUBANK IN | AUBANK | Buy | 729 | 36.9 | 49.7 | 1.6 | 1.7 | 15.2 | 17.7 | 19.7 | 14.7 | 2.8 | 2.4 |
| RBK IN | RBK | Buy | 211 | 22.6 | 35.6 | 0.9 | 1.2 | 8.6 | 12.8 | 9.3 | 5.9 | 0.8 | 0.7 |
| PSU Banks | | | | | | | | | | | | | |
| SBIN IN | SBIN* | Buy | 810 | 80.3 | 89.5 | 1.0 | 1.0 | 16.1 | 15.9 | 7.1 | 6.3 | 1.5 | 1.3 |
| PNB IN | PNB | Buy | 109 | 16.9 | 19.4 | 1.0 | 1.0 | 15.3 | 15.5 | 6.5 | 5.6 | 0.9 | 0.8 |
| BOB IN | BOB | Neutral | 254 | 39.4 | 43.6 | 1.1 | 1.1 | 15.1 | 15.4 | 6.4 | 5.8 | 0.9 | 0.8 |
| CBK IN | CBK | Buy | 116 | 19.7 | 21.8 | 1.0 | 1.0 | 18.3 | 18.0 | 5.9 | 5.3 | 1.0 | 0.9 |
| UNBK IN | UNBK | Buy | 152 | 24.2 | 25.9 | 1.2 | 1.1 | 16.2 | 15.2 | 6.3 | 5.9 | 0.9 | 0.8 |
| INBK IN | INBK | Buy | 632 | 84.4 | 94.3 | 1.2 | 1.3 | 17.0 | 16.9 | 7.5 | 6.7 | 1.2 | 1.0 |
| Payments & Fintech | | | | | | | | | | | | | |
| SBICARD IN | SBI Cards | Neutral | 916 | 33 | 45 | 4.4 | 5.0 | 20.6 | 23.0 | 27.8 | 20.3 | 5.2 | 4.2 |
| | | | | EPS (INR) | | RoA (%) | | RoE (%) | | P/E (x) | | P/BV (x) | |
| PAYTM IN | One 97 Comm. | Neutral | 928 | 3 | 16 | 0.9 | 4.4 | 1.5 | 7.9 | 316.3 | 59.1 | 4.6 | 4.6 |

* Adjusted for subsidiaries, Source: MOFSL, Company

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

| 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.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://online.reports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets (Singapore) Pte. Ltd. ("MOCMSPL") (UEN 201129401Z), which is a holder of a capital markets services license and an exempt financial adviser in Singapore. This report is distributed solely to persons who (a) qualify as "institutional investors" as defined in section 4A(1)(c) of the Securities and Futures Act of Singapore ("SFA") or (b) are considered "accredited investors" as defined in section 2(1) of the Financial Advisers Regulations of Singapore read with section 4A(1)(a) of the SFA. Accordingly, if a recipient is neither an "institutional investor" nor an "accredited investor", they must immediately discontinue any use of this Report and inform MOCMSPL.

In respect of any matter arising from or in connection with the research you could contact the following representatives of MOCMSPL. In case of grievances for any of the services rendered by MOCMSPL write to grievances@motilaloswal.com.

Nainesh Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

Specific Disclosures

- Research Analyst and/or his/her relatives do not have a financial interest in the subject company(ies), as they do not have equity holdings in the subject company(ies). MOFSL has financial interest in the subject company(ies) at the end of the week immediately preceding the date of publication of the Research Report: Yes.
Nature of Financial interest is holding equity shares or derivatives of the subject company
- Research Analyst and/or his/her relatives do not have actual/beneficial ownership of 1% or more securities in the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report.
MOFSL has actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of Research Report: No
- Research Analyst and/or his/her relatives have not received compensation/other benefits from the subject company(ies) in the past 12 months.
MOFSL may have received compensation from the subject company(ies) in the past 12 months.
- Research Analyst and/or his/her relatives do not have material conflict of interest in the subject company at the time of publication of research report.
MOFSL does not have material conflict of interest in the subject company at the time of publication of research report.
- Research Analyst has not served as an officer, director or employee of subject company(ies).
- MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months.
- MOFSL has not received compensation for investment banking /merchant banking/brokerage services from the subject company(ies) in the past 12 months.

8. MOFSL may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company(ies) in the past 12 months.
9. MOFSL may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.
10. MOFSL has not engaged in market making activity for the subject company.

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

| Contact Person | Contact No. | Email ID |
|--------------------|-----------------------------|------------------------------|
| Ms. Hemangi Date | 022 40548000 / 022 67490600 | query@motilaloswal.com |
| Ms. Kumud Upadhyay | 022 40548082 | servicehead@motilaloswal.com |
| Mr. Ajay Menon | 022 40548083 | am@motilaloswal.com |

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.