

Banks

India

Sector View: **Attractive** NIFTY-50: **22,422**

October 05, 2026

FCNR flows take center stage

We expect 2QFY27 to have a bit of noise coming through the impact of the mobilization of FCNR deposits of various banks, as it would have an impact on NIM for this quarter and partly into the next quarter as well. Provisional numbers suggest solid performance on loan growth across banks (large/mid, public/private/SFB) but are aided by these deposits. Asset quality is holding up well. We like frontline banks over mid-tier, regional and SFBs.

Another steady quarter; NIM likely to be a key pressure point

We expect 2QFY27 to be a stable quarter. We expect ~11% yoy earnings growth. We expect NII to grow 11% yoy and non-interest income to decline due to lower treasury income. We expect private banks to report 20% yoy earnings growth (lower base in select banks like IIB and Axis Bank) and PSU banks to report flat yoy earnings decline (factoring in the recent disclosure from BoB). We see NIM to be stable or marginally lower qoq depending on the quantum of deposits raised through FCNR deposits, while lending yields have been stable for the quarter. We are building in credit cost at lower levels, factoring in lower slippages for the sector, while we expect recoveries from bad loans to keep credit costs lower for PSU banks. Segments that were impacted by the recent MFI and other unsecured loan portfolio are showing consistent improvement, and we should see this translating into lower credit costs across players.

FCNR deposits likely to dominate conversation given their NIM impact

We have seen conversation shift back toward NIM as loan growth is solid and asset quality is not showing any major concerns based on our channel checks across various parts of the loan portfolio. While concerns around Middle East geopolitical risks and monsoon-related economic weakness persist, we have yet to observe any discernible spillover effects in lenders' portfolios. The lagged nature of such risks, coupled with materially improved borrower quality following a relatively benign credit-cycle adjustment, has left lenders entering this period with stronger balance sheets and underwriting discipline. As a result, industry confidence remains intact, with credit growth ambitions continuing to outweigh macro-driven caution. A key discussion point is the impact of FCNR deposits. For large private banks, these inflows may dilute reported CASA ratios and create a short-term drag as funding raised at attractive offshore spreads takes time to be deployed, whether through loan growth or replacing higher-cost liabilities. We estimate a 10-15 bps quarterly impact from FCNR deposits.

Concerns for large private banks easing, making them our top idea

We continue to view large private banks as the preferred way to position for multiple expansion, relative to mid-tier banks, regional lenders and SFBs. The full benefit of FCNR inflows should become evident by 3QFY26, while balance sheets remain well insulated against a deterioration in the macro environment, whether from policy-rate volatility or geopolitical risks. Importantly, non-financial overhangs, including management-transition concerns, appear largely behind us, particularly at HDFC Bank.

[Full sector coverage on KINSITE](#)

Refer to the disclosures at the end of the report.

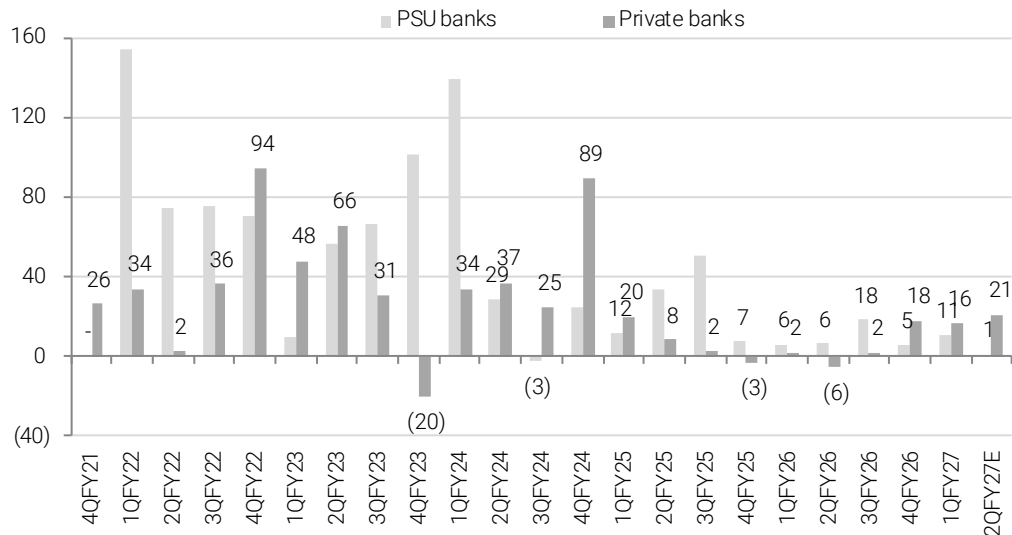
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We expect the earnings for the coverage banks to grow 11% yoy

Exhibit 1: Growth in PAT for banks under coverage, March fiscal year-ends, 2021-27E (% yoy)



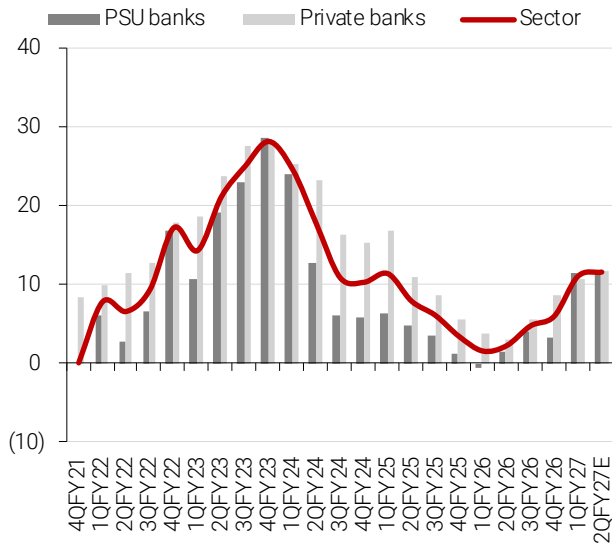
Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

NII growth expected to inch up to ~11%

Exhibit 2: Growth in NII, March fiscal year-ends, 2021-27E (%)



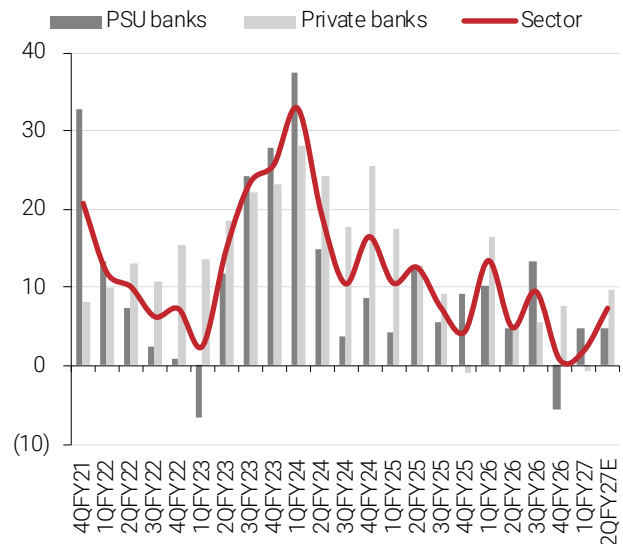
Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

Revenue growth expected to be lower than NII growth, with lower treasury income

Exhibit 3: Revenue growth, March fiscal year-ends, 2021-27E (%)



Notes:

(a) For PSU banks that merged in April 2020, we have computed yoy growth for proforma merged entities.

Source: Company, Kotak Institutional Equities

We expect 11% yoy growth in earnings for the sector

Exhibit 4: Growth in NII, PPOP and earnings yoy and qoq, March fiscal year-ends, 2026-27

	Net interest income					Pre-provisioning profit					PAT				
	2QFY26	1QFY27	2QFY27E	YoY	QoQ	2QFY26	1QFY27	2QFY27E	YoY	QoQ	2QFY26	1QFY27	2QFY27E	YoY	QoQ
	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)	(Rs mn)	(Rs mn)	(Rs mn)	(%)	(%)
Banks															
Public banks															
Bank of Baroda	119,536	125,251	127,395	7	2	75,760	81,273	83,645	10	3	48,094	12,784	48,835	2	282
Canara Bank	91,412	102,153	102,428	12	0	85,881	86,359	83,320	(3)	(4)	47,740	48,558	49,099	3	1
PNB	104,688	107,984	111,316	6	3	72,271	75,192	72,032	(0)	(4)	49,037	52,533	47,851	(2)	(9)
State Bank of India	429,841	469,924	485,730	13	3	319,041	335,292	335,529	5	0	201,597	211,212	201,580	(0)	(5)
Union Bank	88,124	100,372	101,390	15	1	68,140	80,026	72,513	6	(9)	42,491	53,323	46,305	9	(13)
Old private banks															
City Union Bank	6,665	8,201	8,371	26	2	4,706	5,806	6,148	31	6	3,286	3,826	4,002	22	5
Federal Bank	24,952	29,459	30,362	22	3	16,442	18,973	20,881	27	10	9,553	11,769	12,071	26	3
Karur Vysya Bank	12,612	14,228	14,832	18	4	10,174	10,956	11,468	13	5	5,740	7,557	7,355	28	(3)
New private banks															
Axis Bank	137,446	146,461	149,045	8	2	104,125	116,591	115,816	11	(1)	50,896	71,139	70,671	39	(1)
Bandhan Bank	25,885	29,206	29,271	13	0	13,104	13,581	14,098	8	4	1,119	5,017	5,373	380	7
DCB Bank	5,962	6,840	7,039	18	3	3,039	3,440	3,607	19	5	1,839	2,132	2,168	18	2
HDFC Bank	315,515	335,340	339,878	8	1	279,236	281,681	290,879	4	3	186,413	190,597	195,099	5	2
ICICI Bank	215,295	243,844	244,876	14	0	172,980	203,861	197,629	14	(3)	123,589	148,045	138,198	12	(7)
IndusInd Bank	44,094	46,847	46,652	6	(0)	20,280	26,831	25,219	24	(6)	(4,448)	10,025	10,002	(0)	(0)
Yes Bank	23,009	27,865	28,366	23	2	12,965	17,040	15,475	19	(9)	6,545	10,710	9,265	42	(13)
Small finance banks															
AU	21,444	26,955	28,039	31	4	12,097	14,355	16,788	39	17	5,609	7,960	9,899	76	24
Equitas SFB	7,737	10,296	10,504	36	2	2,406	4,047	4,458	85	10	241	1,836	2,062	754	12
Ujjivan SFB	9,217	11,874	12,441	35	5	3,952	5,481	5,380	36	(2)	1,217	3,165	2,981	145	(6)
Utkarsh SFB	3,505	4,221	4,857	39	15	(33)	636	1,477	132		(3,485)	(339)	152		
Total banks	1,686,937	1,847,318	1,882,794	12	2	1,276,564	1,381,419	1,376,364	8	(0)	777,072	851,849	862,966	11	1
Public banks	833,600	905,684	928,259	11	2	621,092	658,141	647,040	4	(2)	388,958	378,410	393,669	1	4
Private banks	853,337	941,634	954,536	12	1	655,472	723,278	729,324	11	1	388,113	473,438	469,297	21	(1)

Notes:

(a) We have assumed PBT rather than PPOP for asset managers/wealth managers and revenue from operations rather than NII.

Source: Company, Kotak Institutional Equities

Earnings expected to be ahead for private banks compared to public banks

Exhibit 5: Growth in PAT (%) yoy, March fiscal year-ends, 2025-27

	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
Public banks							
Bank of Baroda	3	2	(8)	4	11	(72)	2
Canara Bank	33	22	19	26	(10)	2	3
PNB	52	(48)	14	13	14	214	(2)
State Bank of India	(10)	12	10	24	6	10	(0)
Union Bank	51	12	(10)	9	7	30	9
Old private banks							
City Union Bank	13	16	15	16	25	25	22
Federal Bank	14	(15)	(10)	9	22	37	26
Karur Vysya Bank	13	14	21	39	41	45	28
New private banks							
Axis Bank	(0)	(4)	(26)	3	(1)	23	39
Bandhan Bank	482	(65)	(88)	(54)	68	35	380
DCB Bank	14	20	18	22	16	36	18
HDFC Bank	7	12	11	11	9	5	5
ICICI Bank	18	15	5	(4)	8	16	12
IndusInd Bank	(195)	(68)	(134)	(88)	NM	47	NM
Yes Bank	63	59	18	55	45	34	42
Small finance banks							
AU SFB	36	16	(2)	26	65	37	76
Equitas SFB	(80)	(969)	87	36	405	NM	754
Ujjivan SFB	(75)	(66)	(48)	71	238	207	145
Utkarsh SFB	(98)	(274)	(778)	NM	(6,436)	NM	NM
Total banks	2	4	(0)	10	12	14	11
Public sector banks	7	6	6	18	5	11	1
Private sector banks	(3)	2	(6)	2	18	16	21

Notes:

(a) 'NM' indicates loss in the base quarter and profit in current quarter.

Source: Company, Kotak Institutional Equities

Loan growth continues to be strong at 19% yoy

As per the latest available data (September 15, 2026) for the banking system, loan growth continued to show strong growth of 19% yoy. Sector-wise deployment of banking credit as of August 2026 indicates steady trends across segments of credit. Credit to large corporates continued to show strong signs of growth at 15% yoy after a period of slump, likely led by some shift from the bond market. The segments driving this growth in loans is mining, food processing, textiles, metals and engineering. Credit to MSMEs has been the largest driver of growth at 26% yoy. Services segment growth has improved to ~24% yoy. This is largely driven by computer software segment and credit to NBFCs. The growth rate in bank lending to NBFCs has picked up now materially (~37% yoy). In retail credit, growth was healthy at 17% yoy. Housing credit was up 11% yoy—lower than the 15% yoy growth pre-Covid. Growth in auto loans continues to improve (20% yoy) after languishing below 10% yoy for most of the past year. Unsecured credit continues to have slow growth. Credit card outstanding growth remains sluggish (4% yoy), while consumer durable loan outstanding grew ~3% yoy.

We have shown the reported credit growth data for banks in the exhibit below on the basis of provisional updates released by the banks. Credit growth seems to have picked up sequentially for most banks, after rate transmission, ample liquidity and benign asset quality continue to provide confidence to lenders.

Based on the business updates for the quarter released, we note that the advances growth of frontline private banks is now inching up closer to the industry level. The provisional updates indicate that credit growth was strongest and most consistent across PSU banks, with most reporting mid-to-high single-digit sequential growth, suggesting a broad-based pickup rather than dependence on a few lenders. Large private banks also sustained healthy momentum, although growth was relatively more moderate than for PSU banks, while small private banks showed greater dispersion but remained positive at the aggregate level. Small finance banks maintained strong sequential growth, consistent with their structurally higher growth trajectory.

Loan growth has improved for most PSU banks

Exhibit 6: Loan growth for banks, March fiscal year-ends, 2023-27E (% yoy)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
PSU banks															
BOB	19	18	17	14	12	8	12	12	13	13	12	15	16	17	18
BOI	13	8	10	11	14	16	15	15	14	12	14	14	16	19	20
BoMH	30	25	24	20	16	19	19	21	18	15	17	20	22	27	
CBK	16	13	12	12	11	10	10	10	12	12	14	14	15	18	19
CBOI	15	13	17	15	16	14	9	13	15	10	16	19	19	29	
INBK	14	13	12	13	13	12	12	10	10	12	13	14	14	14	17
IOB	19	17	21	23	16	20	10	10	14	14	21	24	24	23	
PJSB	27	16	20	7	6	14	11	15	16	14	16	15	18	19	19
PNB	13	15	13	13	11	12	13	15	14	10	10	11	13	13	15
SBI	17	15	13	15	16	16	15	14	12	12	13	16	17	19	18
UCO		25	18	19	16	18	18	16	18	16	17	17	19	21	25
UNBK	15	14	10	14	14	14	12	7	10	8	6	8	10	13	22
Private banks															
AXSB	19	22	23	22	14	14	11	9	8	8	12	14	19	19	17
BANDHAN	10	7	12	19	14	22	21	14	10	6	7	10	13	16	13
CSBBANK	23	25	22	18	14	18	20	26	30	31	29	29	27	24	22
CUBK	7	4	2	2	6	10	12	15	14	16	18	21	26	25	21
DCBB	18	19	19	18	19	19	19	23	25	21	19	18	18	17	20
DHLB										17	18	24		26	22
FB	20	22	19	21	21	19	19	18	15	9	7	7	9	13	14
HDFCB	17	16	58	62	55	52	7	3	5	7	10	12	12	16	16
ICICIICB	19	18	18	18	16	16	15	14	13	12	10	12	16	20	24
IDBI	19	20	15	18	16	17	19	18	16	9	15	15	16	22	18
IDFCFB	22	25	26	25	25	22	21	22	20	21	20	21	20	21	
IIB	21	22	21	20	18	15	13	12	1	(4)	(9)	(13)	(8)	(2)	3
JKBK	15	15	16	14	13	12	8	6	10	6	9	17	17	26	24
KBL	6	8	9	9	19	23	13	12	7	(4)	(2)	(1)	7	19	28
KVB	11	12	14	13	16	16	14	14	14	15	15	17	17	17	20
RBK	13	21	21	20	22	21	18	16	11	9	14	13	22	20	
SIB	17	15	10	11	11	11	13	12	9	8	9	11	14	17	
TMB					(1)	2	12	14	19	10	11	17	21	28	30
YES	12	7	9	12	12	15	12	13	8	5	6	5	11	18	24
Small finance banks															
AUBANK	27	29	24	20	25	43	48	49	46	23	22	24	25	26	30
CAPITALS				12	12	16	15	19	17	16	18	20	21	22	23
EQUITASB	35	36	37	32	23	18	15	14	11	8	9	16	22	27	30
ESAF			28	37	33	30	21	7	0	(3)	4	13	19	27	25
JSFB				28	24	25	17	19	19	16	20	19	20	26	
UJJIVANS	33	30	27	27	24	19	14	10	8	11	14	22	27	29	32
UTKARSHB	31	31	26	31	31	31	28	16	7	2	(2)	(4)	(2)	2	8

Notes:

(a) Cells shaded in pink show actual data reported in respective provisional business updates.

Source: Company, Kotak Institutional Equities

Loan growth has improved for most PSU banks

Exhibit 7: Loan growth for banks, March fiscal year-ends, 2023-27E (% qoq)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
PSU banks															
BOB	5	2	3	2	4	(2)	7	3	5	(2)	6	5	6	(1)	7
BOI	2	0	5	4	4	3	4	5	2	1	5	4	4	3	7
BoMH	12	0	4	3	8	3	4	5	5	1	5	8	7	5	
CBK	1	3	4	3	1	2	4	4	2	2	5	4	4	5	6
CBOI	4	1	5	4	5	(0)	1	7	7	(5)	6	10	6	3	
INBK	5	1	3	4	5	1	2	2	5	2	3	3	4	3	6
IOB	8	1	9	3	1	5	0	3	5	5	6	6	5	4	
PJSB	4	(5)	6	2	3	2	4	5	4	0	6	4	7	1	6
PNB	3	4	3	3	2	5	3	5	1	1	4	5	2	1	5
SBI	5	1	3	5	5	1	3	4	4	1	4	6	5	2	3
UCO	7	2	2	7	4	3	2	5	5	2	2	6	8	4	5
UNBK	1	1	4	7	1	1	2	3	4	(1)	0	4	6	2	8
Private banks															
AXSB	11	2	5	4	4	2	2	1	3	2	5	4	6	2	4
BANDHAN	12	(5)	4	8	8	1	4	1	4	(2)	5	4	6	1	2
CSBBANK	11	(1)	5	2	7	2	7	8	10	3	5	7	9	1	4
CUBK	2	(4)	3	1	6	0	5	3	5	2	7	6	10	1	3
DCBB	4	3	5	4	5	3	5	7	7	0	3	7	6	(0)	6
DHLB							4	3	7	2	4	8	7	4	1
FB	4	6	4	6	4	5	4	5	1	(1)	2	5	2	4	3
HDFCB	6	1	44	5	2	(1)	1	1	4	0	4	3	4	3	5
ICICI	5	4	5	4	3	3	4	3	2	2	3	4	6	5	7
IDBI	10	2	2	4	8	3	4	3	6	(3)	9	4	6	2	5
IDFCB	6	7	7	3	6	4	6	4	5	5	5	5	4	5	
IIB	6	4	5	4	5	1	3	3	(6)	(3)	(2)	(3)	(1)	3	3
JKBK	5	3	4	2	4	2	1	(0)	8	(3)	4	8	8	4	2
KBL	(4)	3	6	4	5	6	(2)	3	0	(5)	(1)	5	8	6	6
KVB	-	4	5	3	2	4	3	3	2	6	4	5	2	6	7
RBK	5	4	4	5	7	3	1	3	2	2	6	2	11	1	
SIB	3	3	1	4	3	3	3	3	1	2	3	5	4	4	
SIB		7	(6)	2	(3)	10	4	3	2	2	4	8	5	7	6
YES	4	(2)	4	4	5	1	2	4	1	(2)	4	3	6	4	9
Small finance banks															
AUBANK	5	8	2	4	10	23	6	5	8	3	5	7	9	3	8
CAPITALS	8	0	6	(3)	8	4	5	1	5	4	6	3	6	4	8
EQUITASB	12	6	5	5	5	2	3	4	2	(1)	4	11	7	3	6
ESAF	13	2	5	13	9	0	(2)	(0)	3	(3)	5	8	8	4	3
JSFB	8	3	9	5	5	4	3	6	6	1	6	5	7	6	
UJJIVANS	10	5	5	4	7	1	1	0	5	4	4	7	10	6	7
UTKARSHB	11	3	3	10	12	3	2	(0)	3	(2)	(3)	(2)	6	1	3

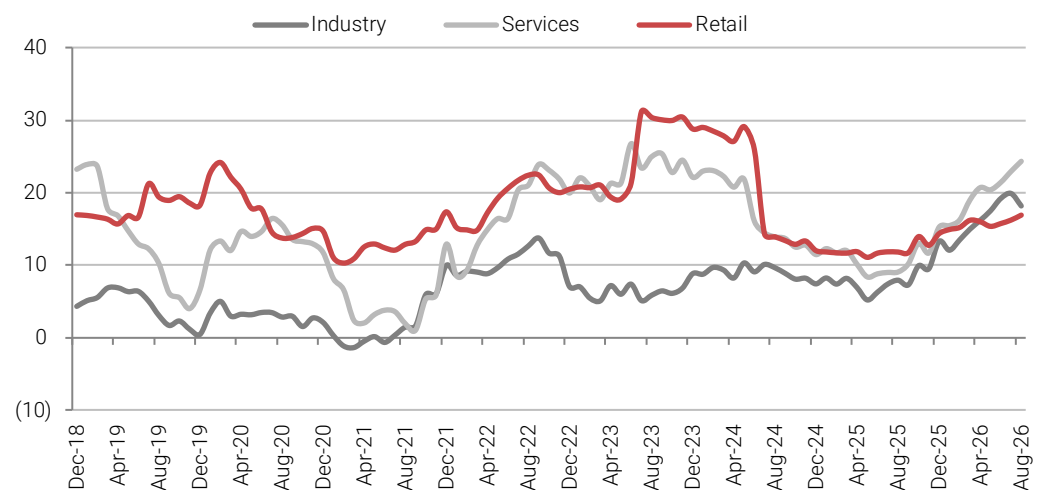
Notes:

(a) Cells shaded in pink show actual data reported in respective provisional business updates.

Source: Company, Kotak Institutional Equities

Credit growth continues to be driven by corporate and MSME

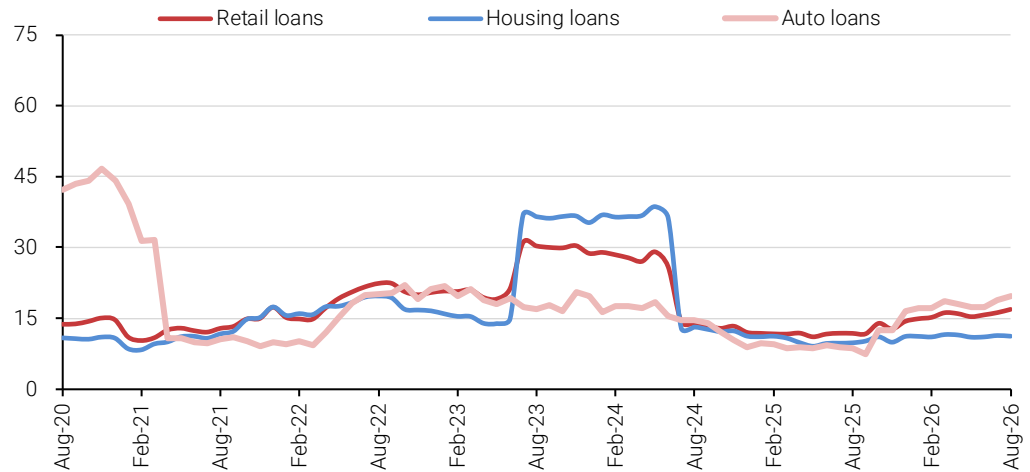
Exhibit 8: Credit growth by segment yoy, March fiscal year-ends, 2018-26 (%)



Source: Company, Kotak Institutional Equities

Housing loan growth is yet to pick up

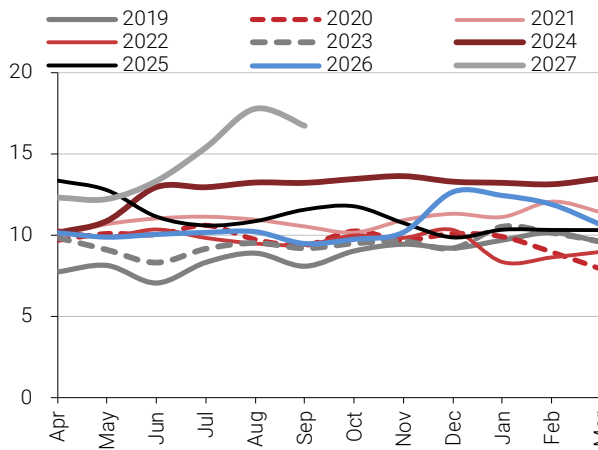
Exhibit 9: Growth in retail loan segments yoy, March fiscal year-ends, 2020-26 (%)



Source: Company, Kotak Institutional Equities

Deposit growth inched up to 17%

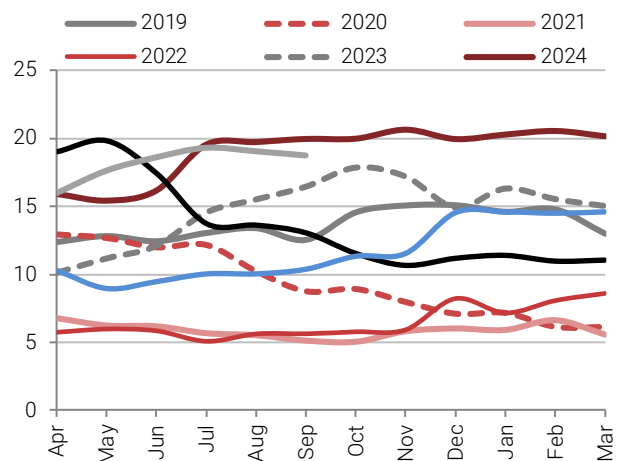
Exhibit 10: Growth in deposits yoy, March fiscal year-ends, 2019-27 (%)



Source: RBI, Kotak Institutional Equities

Credit growth remains strong at 18% yoy

Exhibit 11: YoY growth in advances, March fiscal year-ends, 2019-27 (%)



Source: RBI, Kotak Institutional Equities

Deposit growth picks up to 17% yoy supported by FCNR (B) mobilization

Based on the latest RBI release, deposit growth has been strong at 17% yoy as of September 15, 2026, supported by FCNR mobilization. We have shown the growth in overall deposits in the following exhibit. The additional FCNR funding is already showing up in the CD market, where rates cooled by ~30 bps in September to ~6.5%, reversing part of the earlier rise. CASA ratio, however, is yet to improve meaningfully for the system. FCNR deposits should reduce reliance on CDs and bulk deposits in the near term, but CASA ratios may dip sequentially for the banks that raised the sizeable FCNR deposits.

Deposit-side constraints are easing, and competitive intensity should moderate further. Household deposits remain structurally weak, so the improvement is coming from FCNR rather than granular retail deposits. Bulk deposit rates have not eased yet, but they should follow as banks rely less on CDs and wholesale funding, which would improve the system's cost of deposits. PSU banks had largely exhausted their credit-deposit ratio headroom and now have some room to deploy, which should also temper the aggressive loan pricing seen on the ground.

Provisional updates show deposit growth picking up across all bank groups. PSU banks grew 13% yoy (5% qoq), though growth was uneven. BOB, BOI, CBK grew at 13-22% yoy while PNB and UNBK were lower at 7-10% yoy. Large private banks showed strong growth, with HDFC Bank up from 15% in 1QFY27. Growth is term-deposit led and partly one-off from FCNR mobilization.

Deposit growth has picked up, supported by FCNR (B) mobilization

Exhibit 12: Deposit growth for banks, March fiscal year-ends, 2023-27E (% yoy)

	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
PSU banks																
BOB	18	15	16	15	8	11	9	9	13	10	10	10	10	12	14	17
BOI	5	7	9	9	8	10	10	10	12	11	9	10	12	14	15	22
BoMH	12	16	25	22	18	16	9	15	14	13	14	12	15	14	13	
CBK	12	9	7	9	9	11	12	9	7	9	8	11	13	10	12	13
CBOI	2	5	6	8	10	7	6	6	5	7	11	13	13	13	12	
INBK	6	5	6	9	10	11	10	8	7	7	9	12	13	12	13	12
IOB	4	(0)	2	4	8	10	13	14	10	9	11	9	14	18	14	
PJSB	9	7	12	11	8	9	6	6	8	9	9	9	9	12	12	13
PNB	7	12	14	10	9	7	9	11	16	14	13	11	9	9	9	10
SBI	10	9	12	12	13	11	8	9	10	9	12	9	9	11	10	14
UCO	11	11	11	6	5	6	7	11	9	12	11	11	11	11	11	14
UNBK	14	8	14	9	10	9	6	7	4	4	4	2	1	3	4	7
Private banks																
AXSB	10	15	17	18	18	13	13	14	9	10	9	11	15	14	18	23
BANDHAN	21	12	17	13	15	25	23	27	20	12	16	11	11	10	7	9
CSBBANK	19	21	21	21	21	21	22	25	22	24	20	25	21	20	26	18
CUBK	7	10	6	6	5	6	6	9	11	14	20	21	21	23	21	18
DCBB	23	19	23	23	19	20	20	20	20	22	20	19	20	21	20	21
DHLB											15	17	18		17	20
FB	15	17	21	23	19	18	20	16	11	12	8	7	12	11	11	16
HDFCB	20	21	19	30	28	26	24	15	16	14	16	12	12	14	15	19
ICICIBC	10	11	18	19	19	20	15	16	14	14	13	8	9	11	14	25
IDBI	5	10	9	8	11	9	13	11	9	12	7	9	9	12	10	17
IDFCB	43	37	36	39	37	39	36	31	30	26	26	24	23	17	18	
IIB	14	15	15	14	13	14	15	15	11	7	(0)	(6)	(4)	(3)	4	12
JBK	8	6	8	9	9	10	9	9	10	10	12	10	11	11	17	16
KBL	8	9	8	10	9	12	13	12	9	7	5	3	4	4	7	12
KVB	14	12	13	13	13	16	14	15	16	15	15	15	16	13	15	16
RBK	11	7	8	13	13	22	18	20	15	7	11	8	12	25	11	
SIB	3	3	8	10	9	11	8	9	6	6	9	10	12	15	11	
TMB	(3)	6	15	10	8	(2)	(1)	4	8	14	9	12	13	15	20	25
YES	16	10	14	17	13	22	21	18	15	7	4	7	6	12	14	20
Small finance banks																
AUBANK	38	32	27	30	31	26	40	45	40	43	31	21	23	23	24	29
CAPITALS					12	14	10	11	12	11	17	20	18	20	16	16
EQUITASB	31	34	36	42	38	42	35	29	26	19	18	11	7	8	10	19
ESAF				29	41	35	33	24	19	17	9	6	7	11	19	24
JSFB	18	21	25	34	37	38	41	31	24	29	24	31	30	23	22	
UJJIVANS	49	40	45	43	28	23	22	17	16	20	19	15	22	21	25	29
UTKARSHB	42	36	36	19	18	27	30	40	33	23	18	10	5	0	3	6

Notes:

(a) Cells shaded in pink show actual data reported in respective provisional business updates.

Source: Company, Kotak Institutional Equities

Deposit growth has seen support from FCNR (B) mobilization

Exhibit 13: Deposit growth for banks, March fiscal year-ends, 2023-27E (% qoq)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
PSU banks															
BOB	5	(0)	4	(0)	7	(2)	4	3	5	(2)	4	3	7	(1)	7
BOI	2	4	1	1	4	4	1	3	3	2	2	4	5	3	8
BoMH	12	4	(2)	3	10	(1)	3	1	10	(1)	2	4	9	(2)	
CBK	1	1	3	2	4	2	1	(0)	6	1	4	1	3	3	5
CBOI	4	1	2	2	2	(0)	2	2	4	4	4	1	4	2	
INBK	4	0	3	2	5	(1)	2	1	5	1	4	2	5	2	4
IOB	1	1	3	2	3	4	4	(2)	2	6	3	3	5	2	
PJSB	0	4	2	2	1	1	3	3	2	1	3	3	5	1	4
PNB	6	1	1	1	3	3	4	5	2	1	2	3	3	1	3
SBI	5	2	3	2	3	(0)	4	2	3	2	2	2	5	1	6
UCO	3	0	(0)	3	3	2	3	2	5	2	2	1	5	2	5
UNBK	5	1	1	3	4	(2)	1	0	5	(3)	(0)	(1)	7	(2)	3
Private banks															
AXSB	12	(1)	1	5	6	(1)	2	1	7	(1)	4	5	6	3	8
BANDHAN	6	0	3	5	15	(1)	7	(1)	7	2	2	(1)	6	(1)	5
CSBBANK	8	0	4	7	9	1	6	5	10	(3)	10	2	9	3	3
CUBK	5	(1)	2	(1)	6	(1)	5	2	9	3	6	1	11	1	3
DCBB	4	4	6	4	5	5	5	4	6	3	4	5	7	3	5
DHLB							1	3	6	3	3	4	5	4	6
FB	6	4	5	3	5	5	1	(1)	6	1	1	3	5	2	5
HDFCB	9	2	14	2	7	(0)	5	3	6	2	1	2	9	2	5
ICICI	5	5	5	3	6	1	5	2	6	(0)	0	3	8	2	10
IDBI	10	(4)	2	4	7	(0)	0	2	10	(4)	2	1	13	(6)	9
IDFCB	9	7	11	7	10	5	7	6	6	5	4	5	1	6	
IIB	3	3	4	3	4	4	4	(1)	0	(3)	(2)	1	2	4	5
JKBK	3	(1)	4	2	5	(2)	4	2	5	(0)	2	3	6	5	2
KBL	3	(0)	3	3	6	0	2	0	5	(1)	(0)	1	4	2	5
KVB	1	5	3	3	4	4	4	3	3	4	4	4	1	6	5
RBK	4	1	5	3	12	(2)	7	(1)	4	2	4	3	16	(10)	
SIB	1	4	2	2	3	2	2	(0)	2	5	2	2	4	2	
TMB														4	8
YES	2	1	7	3	10	(0)	5	0	3	(3)	7	(1)	9	(1)	12
Small finance banks															
AUBANK	14	(0)	9	6	9	12	13	2	11	3	4	4	10	3	8
CAPITALS	(2)	8	(1)	7	(0)	4	0	8	(1)	9	2	7	1	6	2
EQUITASB	8	9	11	5	12	4	6	2	6	3	(1)	(1)	7	5	7
ESAF	9	7	11	8	5	5	3	4	4	(2)	1	5	8	4	6
JSFB	7	3	13	10	9	5	5	4	13	1	11	4	6	(0)	
UJJIVANS	10	4	9	2	6	3	5	1	9	3	2	8	8	5	5
UTKARSHB	7	2	(0)	8	16	4	7	3	7	(0)	(0)	(2)	3	2	3

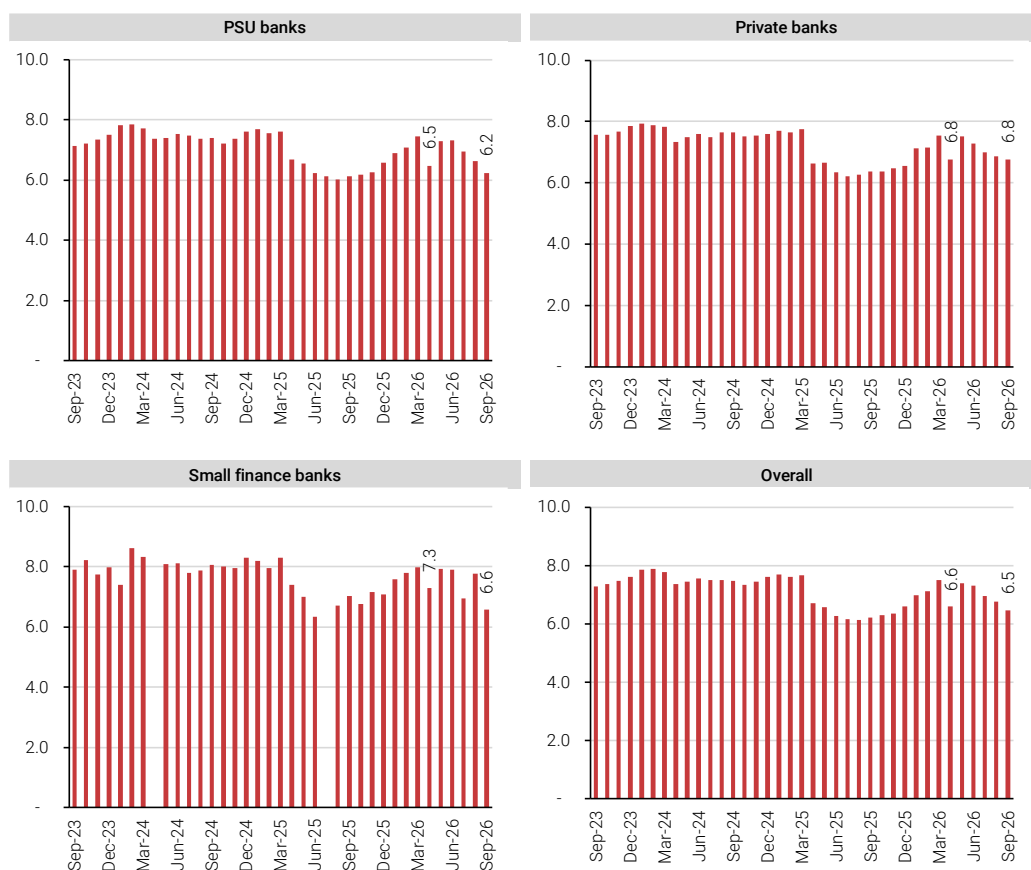
Notes:

(a) Cells shaded in pink show actual data reported in respective provisional business updates.

Source: Company, Kotak Institutional Equities

CD prices have cooled off by ~30 bps in September 2026

Exhibit 14: Weighted average price of CD issuances, 2023-26 (%)



Source: FTRAC, CCIL, Kotak Institutional Equities

FCNR liquidity weighs on near-term NIMs

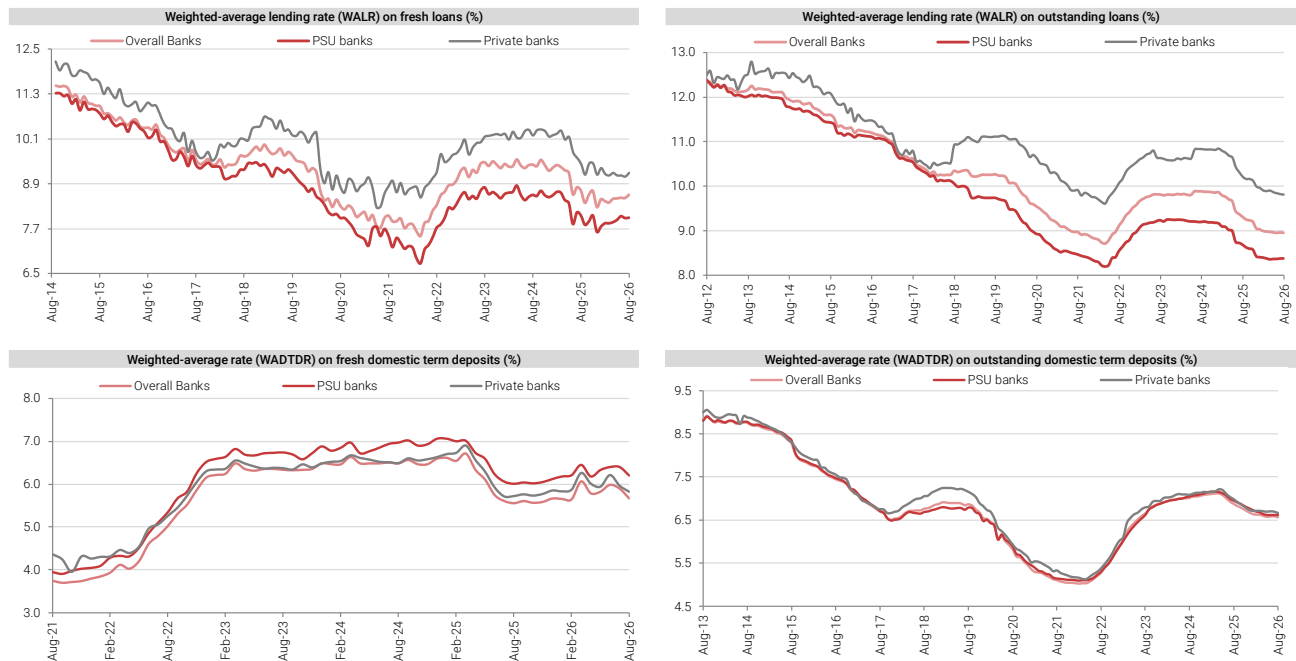
Weighted average term deposit rates on outstanding book have declined only ~50 bps from peak level after the rate cut transmission, while weighted average lending rates on outstanding book have declined by as much as ~90 bps from peak level. Private banks have seen a sharper decline in lending rate on both fresh and outstanding book because of a higher share of EBLR-linked loans in the portfolio. The rate adjustments on term deposits have been broadly similar across PSU and private banks.

NIM outcomes are likely to diverge across banks in 2QFY27. Banks raised about US\$127 bn of FCNR(B) deposits under the RBI's swap window by August 31, 2026. The RBI bears the hedging cost, so banks pay the 6-7% deposit rate offered during the window. Banks with large FCNR raises should therefore see a 10-20 bps NIM drag this quarter. Most of this liquidity is partly sitting in investments, SDF and short-term placements, which earn less than what the deposits cost. Using it to replace high-cost bulk deposits and CDs will happen gradually, as those liabilities mature, so 2QFY27 captures only a small part of that benefit. The cost-of-funds benefit should build over 2HFY27 as maturing wholesale funding is not rolled over and the liquidity moves into loans. That makes the current drag largely transitory. For SFBs, yields remain under pressure as they continue to shift the book away from MFI toward secured, lower-yielding products.

FCNR-led pickup should ease funding pressure and support cost of deposits. System deposit growth is strong at 17% yoy, supported by FCNR mobilization. The additional FCNR liquidity reduces banks' reliance on CDs and bulk deposits to fund loan growth. As a result, we expect CD rates and bulk deposit rates to soften over the coming quarter, which should help bring down the incremental cost of deposits for the system. With funding pressure easing, banks should have less need to price loans aggressively to win share. The outcome should be some stabilization in margins, with private banks benefiting most as competitive intensity on both deposits and loans moderates.

Weighted average cost of term deposits (outstanding) has declined ~50 bps from peak for both private and PSU banks, while weighted average lending rate has declined by 80-90 bps

Exhibit 15: Trajectory of interest rates in the banking system, March fiscal year-ends, 2014-26



Source: RBI, Kotak Institutional Equities

NII growth expected to improve for the sector, FCNR liquidity to weigh on near-term margins

Exhibit 16: NIM (calc.) and yoy growth in NII, March fiscal year-ends, 2026-27E (%)

	NIM (% ,calculated)					NII yoy growth (%)				
	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
Public banks										
Bank of Baroda	2.8	2.6	2.7	2.6	2.5	2.7	0.1	8.7	9.5	6.6
Canara Bank	2.1	2.1	2.1	2.1	2.1	(1.9)	1.1	3.9	13.4	12.1
Punjab National Bank	2.4	2.3	2.2	2.3	2.3	(0.5)	(4.5)	(3.5)	2.1	6.3
State Bank of India	2.5	2.5	2.4	2.5	2.5	3.3	8.5	4.1	14.4	13.0
Union Bank	2.5	2.7	2.6	2.7	2.7	(2.6)	0.9	(1.1)	10.1	15.1
Old private banks										
City Union Bank	3.3	3.6	3.5	3.4	3.4	14.4	28.0	30.9	31.2	25.6
Federal Bank	2.8	2.9	3.4	3.0	3.2	5.4	9.1	33.4	26.1	21.7
Karur Vysya Bank	3.9	3.6	3.9	3.9	3.9	19.0	14.9	24.7	31.8	17.6
New private banks										
Axis Bank	3.4	3.3	3.2	3.1	3.0	1.9	5.0	4.7	8.0	8.4
Bandhan	5.5	5.6	5.6	5.7	5.7	(12.2)	(5.0)	1.4	5.9	13.1
DCB	3.1	3.1	3.1	3.1	3.1	17.1	15.1	17.4	17.8	18.1
HDFC Bank	3.4	3.4	3.3	3.2	3.2	4.8	6.4	3.2	6.7	7.7
ICICI Bank	4.0	4.1	4.0	4.1	4.0	7.4	7.7	8.4	12.7	13.7
IndusInd Bank	3.3	3.5	3.3	3.4	3.3	(17.5)	(12.7)	43.4	1.0	5.8
Yes Bank	2.8	2.9	3.0	3.0	2.9	4.6	10.9	15.9	17.5	23.3
Small finance banks										
AU	5.4	5.7	5.8	5.7	5.7	8.6	15.7	23.3	31.8	30.8
Equitas SFB	5.9	6.4	7.0	6.9	6.7	(3.6)	4.1	18.2	31.0	35.8
Ujjivan SFB	7.8	8.2	8.3	8.4	8.3	(2.3)	12.8	26.4	38.7	35.0
Utkarsh SFB	5.5	5.4	5.7	6.4	7.2	(37.2)	(27.4)	(8.6)	5.0	38.6

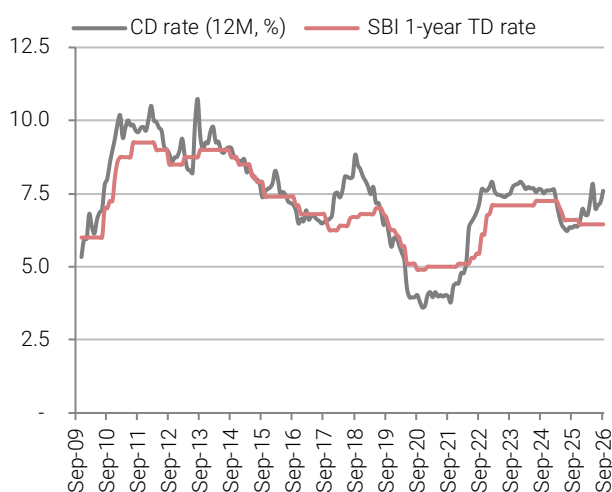
Notes:

(a) We calculate NIM as: net interest income/ average earning assets for the period.

Source: Company, Kotak Institutional Equities

CD rates have inched up recently

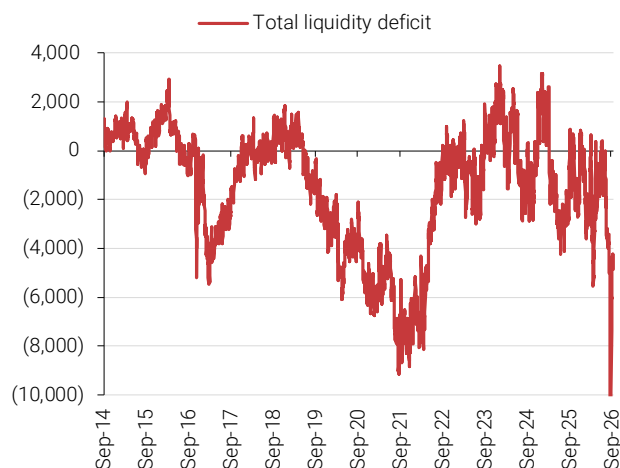
Exhibit 17: SBI TD rate (1-year tenor), CD rate (12M tenor) (%)



Source: RBI, Kotak Institutional Equities

Banking system liquidity is at the margin of deficit

Exhibit 18: Liquidity deficit in banking system (Rs bn)



Source: RBI, Kotak Institutional Equities

MCLR rates for SBI are lower yoy

Exhibit 19: SBI MCLR interest rates across tenors (%)

	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Jul-26	Aug-26	Sep-26
Overnight	8.20	7.45	6.65	6.65	7.95	8.00	8.20	8.20	7.90	7.85	7.85	7.85	7.85	7.85	7.85
One month	8.20	7.45	6.65	6.65	8.10	8.20	8.20	8.20	7.90	7.85	7.85	7.85	7.85	7.85	7.85
Three month	8.25	7.50	6.65	6.65	8.10	8.20	8.55	8.55	8.30	8.25	8.25	8.25	8.25	8.25	8.25
Six month	8.40	7.70	6.95	6.95	8.40	8.55	8.90	8.90	8.65	8.60	8.60	8.60	8.60	8.60	8.60
One year	8.55	7.75	7.00	7.00	8.50	8.65	9.00	9.00	8.75	8.70	8.70	8.70	8.70	8.70	8.70
Two years	8.65	7.95	7.20	7.20	8.60	8.75	9.05	9.05	8.80	8.75	8.75	8.75	8.75	8.75	8.75
Three years	8.75	8.05	7.30	7.30	8.70	8.85	9.10	9.10	8.85	8.80	8.80	8.80	8.80	8.80	8.80

Source: Company, Kotak Institutional Equities

Non-interest income likely to be mixed

Treasury income is likely to be weak in 2QFY27 as bond yields rise to price in rate hikes, so fees and recoveries are expected to be the support for non-interest income. The benchmark 10-year G-sec yield has moved up to 7.2% by end-September from ~6.7% at end-June 2026 as markets price in rate hikes. This erases the softening seen in 1QFY27. Rising yields mean MTM losses on the AFS book and limited room to book trading gains.

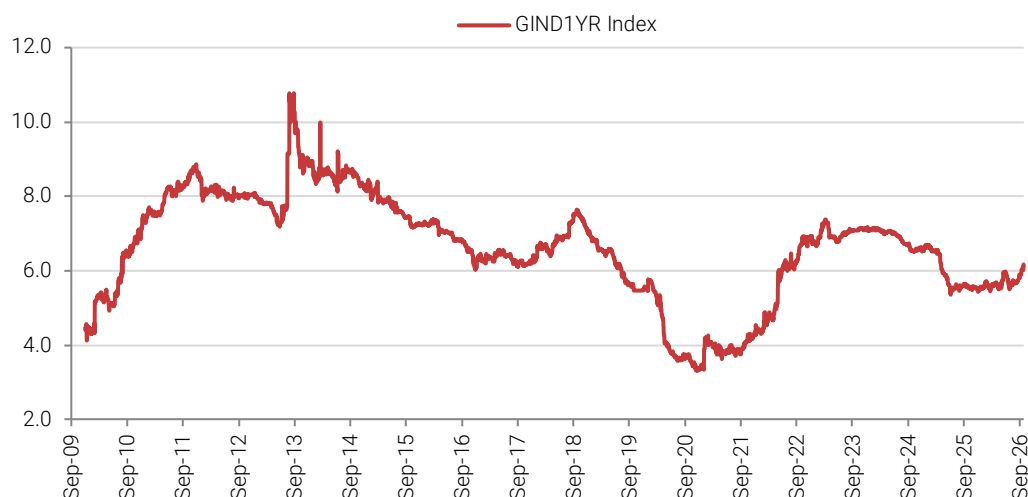
Recoveries from written-off accounts should stay healthy and provide a steady cushion. Fee and commission income should grow at a healthy pace, helped by a pickup in disbursements that drives processing fees, cross-selling and third-party distribution income. Overall, we expect core fee income to grow while treasury drags on headline other income.

Treasury income expected to be lower yoy

Exhibit 20: Growth in treasury income, March fiscal year-ends, 2026-27E (%)

	Income from treasury (Rs mn)					Income from treasury (% of PBT)				
	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
Public banks										
Bank of Baroda	8,320	7,420	(4,090)	6,390	6,632	13	11	(7)	35	11
Canara Bank	12,170	25,900	(1,030)	6,540	8,519	20	39	(2)	10	13
PNB	16,130	11,560	1,630	7,720	7,720	24	18	2	11	12
State Bank of India	74,700	32,790	(14,710)	43,190	42,677	28	12	(6)	15	16
Union Bank	8,340	5,810	3,840	6,450	6,450	15	9	6	9	10
Old private banks										
City Union Bank	216	212	287	525	250	5	5	6	10	5
Federal Bank	1,130	1,260	120	220	600	9	9	1	1	4
New private banks										
Axis Bank	4,980	610	(6,060)	5,370	1,000	7	1	(9)	6	1
DCB Bank	230	290	100	160	122	9	12	4	6	4
HDFC Bank	23,900	9,300	8,200	4,200	10,000	10	4	3	2	4
ICICI Bank	2,200	(1,570)	(1,060)	1,510	1,667	1	(1)	(1)	1	1
IndusInd Bank	1,050	1,320	1,900	2,100	1,750	NM	61	26	16	13
Yes Bank	1,510	950	830	2,920	200	17	8	6	22	2
Total	146,536	90,042	(13,883)	80,845	81,136	15	9	(1)	8	8
Public banks	111,320	77,670	(18,200)	63,840	65,547	24	16	(4)	15	14
Private banks	35,216	12,372	4,317	17,005	15,589	7	2	1	3	3

Source: Company, Kotak Institutional Equities

G-sec yields inched up during the quarter**Exhibit 21: Yield on 1-year G-Sec (%)**

Source: Company, Kotak Institutional Equities

Asset quality remains a source of comfort rather than concern amid geopolitical stress

Asset quality stays benign, and credit costs should not be a concern in 2QFY27. Bureau data across segments continues to support a comfortable asset quality outlook. Fresh slippages remain contained, the forward flow of stress is limited, and headline NPA ratios for the system continue to trend lower. Corporate asset quality remains pristine, and NACH bounce rates below pre-Covid levels show that retail borrowers are still servicing their loans well.

In unsecured retail, delinquencies continue to decline, which reduces the risk of a fresh round of provisioning. Microfinance is still improving: stress accretion is at comfortable levels, and collection efficiency has returned to normal. That should keep credit costs in the segment in check through the seasonally weaker second quarter. We expect credit costs to remain broadly stable for the system. Recoveries from written-off accounts should stay steady and continue to support RoA for PSU banks.

Most banks continue to carry healthy provision coverage

Exhibit 22: Calculated provision coverage ratio, March fiscal year-ends, 2026-27 (%)

	Ex technical write-off					Including technical write-off				
	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Public banks										
BoB	74.0	74.1	72.2	76.7	75.1	93.2	93.6	92.7	93.9	93.3
Canara	77.1	77.4	78.6	77.1	77.1	93.2	93.6	94.2	94.2	94.8
PNB	90.3	90.0	90.2	90.3	90.3	96.9	96.9	97.0	97.1	97.2
SBI	74.5	75.8	75.5	74.4	74.2	91.7	92.3	92.4	92.0	91.8
Union	82.9	83.8	83.6	83.3	82.8	94.7	95.1	95.1	95.0	95.1
Old private banks										
City Union Bank	60.8	63.2	64.4	64.7	65.4	79.0	82.0	83.0	84.0	85.0
Karur Vysya Bank	71.3	75.2	73.3	75.0	74.6	96.8	96.8	96.6	96.5	96.2
Federal Bank	75.2	74.3	76.0	87.8	88.2					
New private banks										
Axis Bank	71.5	70.5	70.0	70.2	69.7					
Bandhan	73.7	73.7	70.8	71.1	71.1					
DCB	59.7	59.2	60.3	64.3	66.0					
HDFC Bank	66.9	66.6	65.9	67.2	65.5					
ICICI Bank	75.9	75.6	75.9	76.3	75.2					
Yes	80.2	81.0	83.3	81.9	81.7					
IndusInd Bank	70.2	71.8	71.5	71.4	71.4					
Small finance banks										
AU SFB	64.7	64.2	62.1	64.1	64.1					
Equitas SFB	67.0	66.9	67.1	73.0	71.0					
Ujjivan SFB	72.9	73.3	76.3	81.4	84.7					
Utkarsh SFB	59.2	62.7	62.2	59.3	54.6					

Source: Company, Kotak Institutional Equities

NPL ratios have been on a declining trend over the past few quarters

Exhibit 23: Gross and net NPLs, March fiscal year-ends, 2026-27 (%)

	Gross NPL (Rs bn)					Gross NPLs (%)					Net NPLs (Rs bn)					Net NPLs (%)				
	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Public banks																				
BoB	276	276	274	271	282	2.3	2.2	2.0	1.9	2.0	72	71	76	63	70	0.6	0.6	0.5	0.5	0.5
Canara	295	270	248	227	204	2.7	2.4	2.1	1.8	1.6	68	61	53	52	47	0.6	0.5	0.5	0.4	0.4
PNB	427	403	393	371	354	3.8	3.5	3.2	3.0	2.8	41	40	38	36	34	0.4	0.4	0.3	0.3	0.3
SBI	780	762	736	735	743	1.8	1.7	1.6	1.5	1.5	199	185	180	188	192	0.5	0.4	0.4	0.4	0.4
Union	343	321	311	304	291	3.5	3.3	3.1	2.8	2.7	59	52	51	51	50	0.6	0.6	0.5	0.5	0.5
Old private																				
CUBK	16	14	13	13	12	3.0	2.4	2.2	1.9	1.7	6	5	5	4	4	1.2	0.9	0.8	0.7	0.6
Federal	47	45	44	43	43	1.9	1.8	1.7	1.6	1.5	12	12	11	5	5	0.5	0.5	0.4	0.2	0.2
KVB	6	7	7	7	8	0.7	0.8	0.7	0.8	0.7	2	2	2	2	2	0.2	0.2	0.2	0.2	0.2
New private																				
Axis	178	173	172	161	171	1.6	1.5	1.4	1.2	1.3	51	51	52	48	52	0.5	0.4	0.4	0.4	0.4
Bandhan	66	70	48	50	49	5.0	5.0	3.3	3.3	3.2	17	18	14	15	14	1.4	1.4	1.0	1.0	0.9
DCB	16	16	16	15	15	3.0	2.9	2.7	2.5	2.4	6	6	6	5	5	1.2	1.2	1.1	0.9	0.8
HDFC Bank	370	343	352	341	358	1.4	1.2	1.2	1.2	1.2	123	114	120	112	124	0.5	0.5	0.4	0.4	0.4
ICICI	247	238	238	231	238	1.7	1.6	1.5	1.4	1.4	60	58	57	55	59	0.4	0.4	0.4	0.4	0.4
IndusInd	125	121	116	111	108	3.6	3.6	3.6	3.4	3.3	37	34	33	32	31	1.1	1.0	1.0	1.0	1.0
Yes	40	41	40	36	37	1.6	1.6	1.5	1.3	1.3	8	8	7	7	7	0.3	0.3	0.3	0.2	0.2
Small finance banks																				
AU SFB	28	28	29	28	29	2.5	2.4	2.3	2.0	2.1	10	10	11	10	11	0.9	0.9	0.9	0.7	0.8
Equitas SFB	10	11	11	11	11	2.9	2.9	2.8	2.6	2.4	3	4	4	3	3	1.0	1.0	0.9	0.7	0.7
Ujjivan SFB	8	8	9	9	9	2.5	2.5	2.4	2.3	2.2	2	2	2	2	1	0.7	0.7	0.6	0.4	0.3
Utkarsh SFB	22	23	20	15	12	11.4	12.4	11.1	7.7	6.1	9	8	8	6	5	5.0	5.0	4.5	3.3	2.9
Total	3,300	3,171	3,077	2,978	2,973	2.2	2.0	1.9	1.7	1.7	784	743	729	695	716	0.5	0.5	0.4	0.4	0.4
Public banks	2,121	2,033	1,963	1,908	1,873	2.4	2.3	2.1	1.9	1.8	438	409	399	390	393	0.5	0.5	0.4	0.4	0.4
Private banks	1,179	1,138	1,114	1,070	1,101	1.8	1.7	1.6	1.4	1.4	346	333	330	305	323	0.5	0.5	0.5	0.4	0.4

Source: Company, Kotak Institutional Equities

Credit cost is likely to remain benign for most players

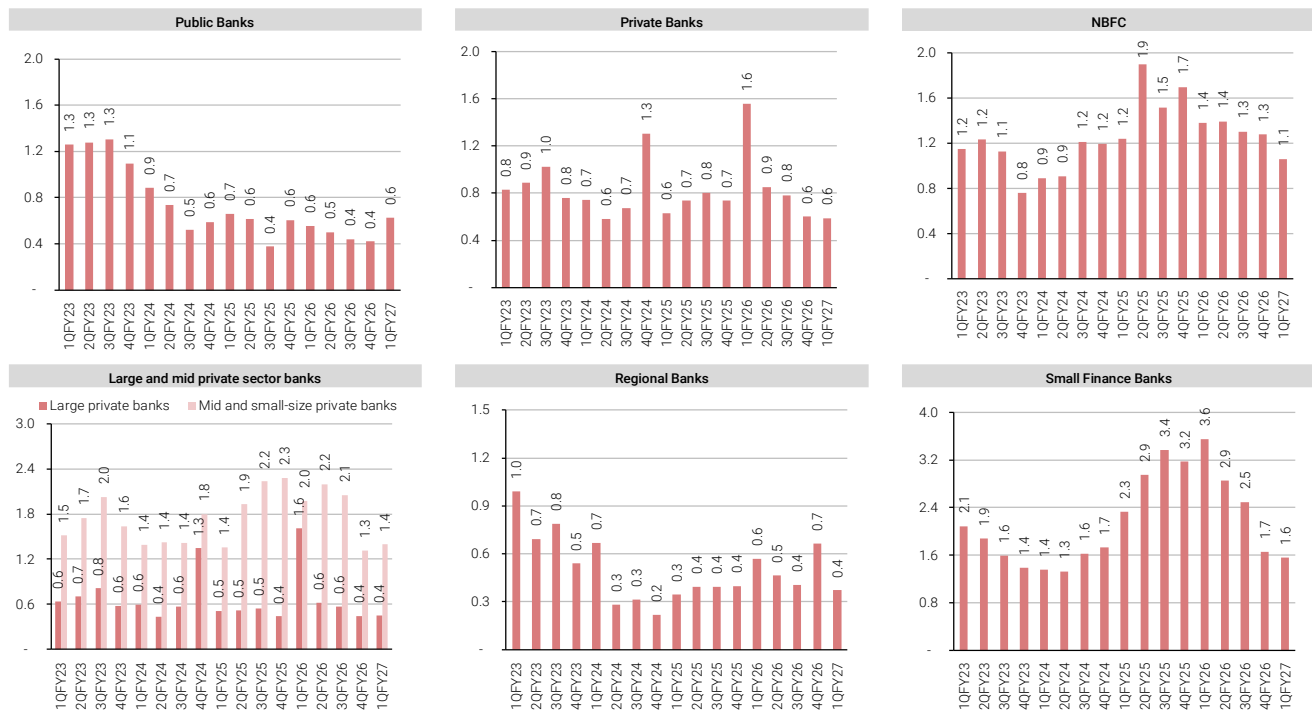
Exhibit 24: Credit cost for banks (loan loss provisions to advances ratio), March fiscal year-ends, 2024-27E (%)

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27	2QFY27E
Public banks													
Bank of Baroda	0.8	0.3	0.5	0.4	0.8	0.4	0.5	0.7	0.4	0.2	0.9	1.8	0.6
Canara Bank	1.1	0.8	1.0	0.9	0.9	0.9	0.7	0.9	0.8	0.8	0.3	0.6	0.5
Punjab National Bank	1.5	1.2	0.7	0.5	0.1	(0.1)	0.1	0.1	0.2	0.4	0.1	0.2	0.2
State Bank of India	0.0	0.1	0.2	0.4	0.5	0.1	0.6	0.5	0.5	0.4	0.2	0.4	0.5
Union Bank	0.9	0.8	0.6	1.3	0.8	0.7	0.6	0.7	0.6	0.1	0.4	0.4	0.4
Old private banks													
City Union Bank	0.5	0.4	0.3	0.3	0.6	0.6	0.6	0.5	0.4	0.6	0.7	0.5	0.5
Federal Bank	0.1	0.2	(0.2)	0.3	0.3	0.5	0.2	0.7	0.6	0.5	1.1	0.5	0.7
Karur Vysya Bank	0.7	0.8	1.6	0.7	0.9	0.7	0.8	0.5	1.2	0.4	1.0	0.3	0.4
New private banks													
Axis Bank	0.4	0.4	0.5	0.8	0.9	0.8	0.5	1.5	1.3	0.8	1.1	0.7	0.7
Bandhan	2.5	2.5	5.9	1.7	1.9	4.3	3.8	3.6	3.4	3.3	1.8	1.8	1.7
DCB	0.4	0.4	0.2	0.3	0.4	0.6	0.5	0.9	0.5	0.5	0.5	0.4	0.4
HDFC Bank	0.5	0.7	2.2	0.4	0.4	0.5	0.5	2.2	0.5	0.4	0.4	0.4	0.4
ICICI Bank	0.2	0.4	0.2	0.4	0.4	0.4	0.3	0.5	0.3	0.7	0.0	0.3	0.4
IndusInd Bank	1.2	1.1	1.0	1.2	2.0	1.9	2.8	2.1	3.2	2.6	1.9	1.6	1.4
Yes Bank	1.0	1.0	0.8	0.4	0.5	0.4	0.5	0.5	0.7	0.0	0.3	0.6	0.4
Small finance banks													
AU	0.6	1.0	0.7	1.3	1.6	2.0	2.4	1.9	1.7	1.1	0.8	1.1	1.0
Equitas SFB	0.9	1.2	1.4	3.8	3.9	2.7	2.9	7.0	2.3	1.9	1.2	1.4	1.4
Ujjivan SFB	0.8	1.0	1.2	1.6	2.1	3.0	3.4	2.8	2.8	2.2	1.4	1.2	1.3
Utkarsh SFB	2.4	2.8	1.8	3.0	4.6	9.1	4.8	9.2	10.9	10.7	5.4	2.4	2.7

Source: Company, Kotak Institutional Equities estimates

Peak of credit costs seems to be behind us, unsecured retail stabilizing, other segments remain strong

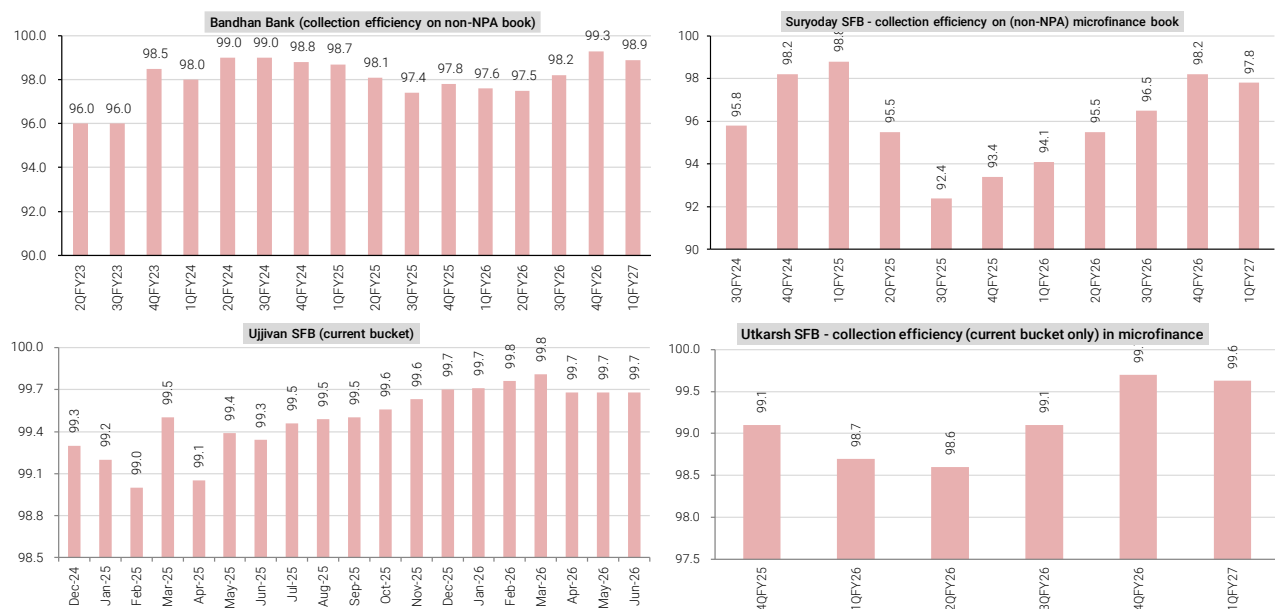
Exhibit 25: Credit cost across lending groups, March fiscal year-ends, 2023-27 (%)



Source: Companies, Kotak Institutional Equities

Collection efficiency in microfinance business has normalized

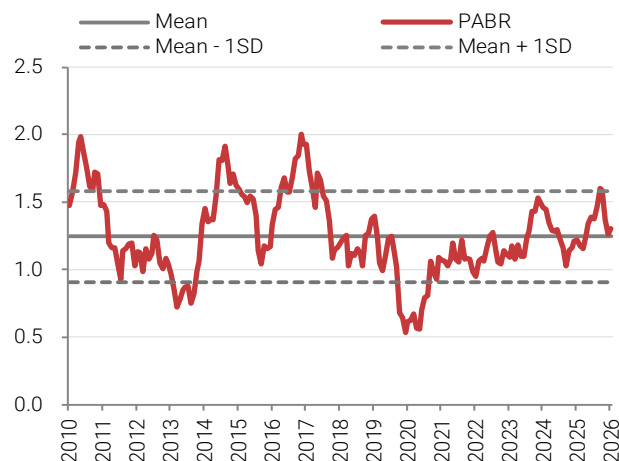
Exhibit 26: Collection efficiency in microfinance business across select lenders, March fiscal year-ends, 2023-27 (%)



Source: Companies, Kotak Institutional Equities

PSU banks are trading well below their valuation peak

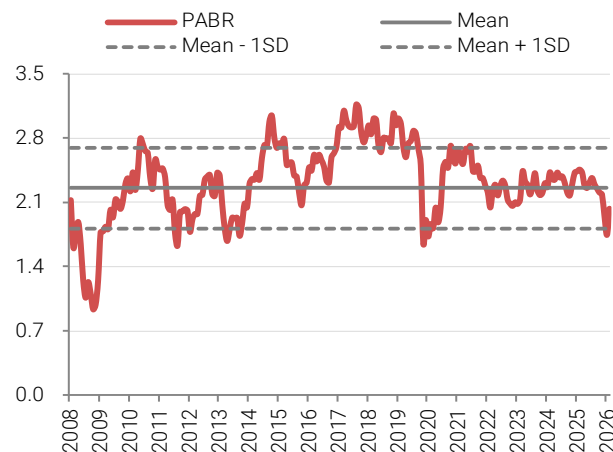
Exhibit 27: PSU banks – one-year forward PBR (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Private banks have also seen a drop in valuation multiple

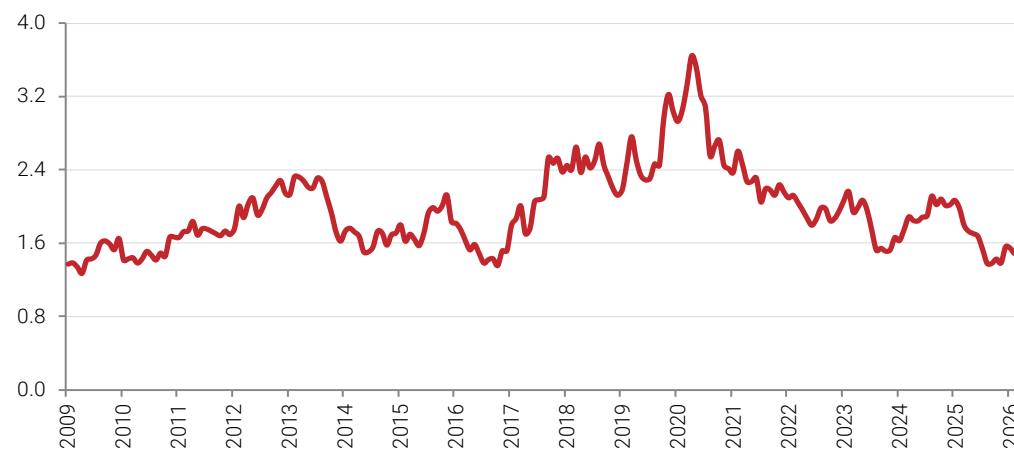
Exhibit 28: Private banks – one-year forward PBR and PER (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Valuation premium of private banks over PSU banks has declined

Exhibit 29: PBR (adj.) of private banks relative to public banks (X)



Source: Bloomberg, Companies, Kotak Institutional Equities estimates

Valuation summary

Exhibit 30: Key valuation metrics for banks, March fiscal year-ends, 2026-29E

		Fair Value	Price	Market cap.	EPS (Rs)				PER (X)				ABVPS (Rs)				APBR (X)				RoE (%)			
	Reco.	(Rs)	10/1/2026	US \$bn	2026	2027E	2028E	2029E	2026	2027E	2028E	2029E	2026	2027E	2028E	2029E	2026	2027E	2028E	2029E	2026	2027E	2028E	2029E
Public banks																								
Bank of Baroda	ADD	280	231	12.4	39	27	41	46	6.0	8.5	5.7	5.0	271	293	318	346	0.9	0.8	0.7	0.7	13.8	8.8	12.2	12.5
Canara Bank	BUY	165	118	11.1	21	19	21	22	5.6	6.3	5.5	5.4	114	130	147	164	1.0	0.9	0.8	0.7	18.0	14.2	14.4	13.1
PNB	ADD	125	110	13.1	15	15	16	17	7.4	7.1	6.8	6.5	113	124	137	151	1.0	0.9	0.8	0.7	12.5	11.8	11.3	10.8
SBI	BUY	1,250	954	91.4	87	89	101	114	8.5	8.2	7.2	0.0	537	607	688	789	1.3	1.2	1.0	0.9	16.2	14.2	14.4	14.5
Union Bank	BUY	215	168	13.3	24	25	26	28	6.8	6.6	6.4	6.0	157	177	198	219	1.1	0.9	0.8	0.8	15.5	14.1	13.3	12.7
Old private banks																								
City Union Bank	SELL	200	230	2.4	18	14	16	18	12.9	16.4	14.7	12.5	103	116	130	146	2.2	2.0	1.8	1.6	13.2	12.6	12.5	13.2
Federal Bank	ADD	375	318	8.2	17	18	22	26	19.0	17.3	14.3	12.0	155	173	192	214	2.0	1.8	1.7	1.5	11.4	11.6	12.1	13.0
Karur Vysya Bank	SELL	285	325	3.3	26	28	29	31	12.5	11.7	11.4	10.3	145	167	187	209	2.3	2.0	1.7	1.6	19.3	17.8	16.1	15.8
New private banks																								
Axis Bank	BUY	1,600	1,217	39.3	79	93	109	132	13.9	12.3	10.8	0.0	650	742	834	943	1.7	1.5	1.4	1.2	12.7	13.2	13.6	14.6
Bandhan Bank	BUY	235	176	2.9	8	18	21	23	23.2	9.8	8.5	7.8	152	168	185	204	1.2	1.1	1.0	0.9	4.9	10.9	11.3	11.2
DCB Bank	BUY	225	200	0.7	23	28	35	41	8.8	7.0	5.7	4.8	182	208	238	272	1.1	1.0	0.8	0.7	12.0	13.2	14.3	14.9
IndusInd Bank	SELL	850	887	7.2	12	58	89	113	74.0	15.4	9.9	7.9	806	865	939	1,034	1.1	1.0	0.9	0.9	1.4	6.7	9.6	11.1
HDFC Bank	BUY	1,050	721	115.4	49	53	59	69	13.0	11.8	10.6	0.0	360	396	434	480	1.7	1.6	1.4	1.3	14.0	13.8	14.0	14.7
ICICI Bank	BUY	1,800	1,311	97.7	70	76	83	91	15.5	14.4	13.3	0.0	461	521	586	660	2.7	2.1	1.8	1.6	15.9	15.1	14.6	14.4
Yes Bank	SELL	20	21	6.8	1	1	2	2	18.7	15.1	11.0	8.6	16	17	19	22	1.3	1.2	1.1	1.0	7.0	8.1	10.2	11.6
Small finance banks																								
AU SFB	SELL	925	987	7.7	35	53	64	76	28.0	18.7	15.5	12.9	257	308	368	439	3.8	3.2	2.7	2.2	14.2	18.0	18.3	18.3
Equitas SFB	BUY	95	68	0.8	0.9	7.3	9.5	11.3	75.7	9.3	7.2	6.1	52	57	65	74	1.3	1.2	1.1	0.9	1.7	12.9	14.8	15.4
Ujjivan SFB	BUY	85	66	1.3	3.6	5.9	6.6	7.5	18.4	11.1	9.9	8.8	35	38	43	50	1.9	1.7	1.5	1.3	10.7	15.8	15.6	15.7
Utkarsh SFB	BUY	20	13	0.2	(6.5)	1.1	2.5	3.5	(2.1)	12.1	5.5	3.8	15	16	19	22	0.9	0.8	0.7	0.6	(40.0)	6.9	13.7	16.7

Source: Company, Kotak Institutional Equities

Stock price performance

Exhibit 31: Absolute and relative stock price performance for bank stocks (%)

	Change in price (%)					Relative performance to BSE-30 Index (%)					Change from	
	1 month	3 month	6 month	12 month	YTD	1 month	3 month	6 month	12 month	YTD	52 week high (%)	52 week low (%)
Public banks												
Bank of Baroda	(4)	(11)	(8)	(11)	(22)	2	(4)	(6)	0	(8)	(29)	3
Canara Bank	(6)	(7)	(7)	(4)	(24)	(0)	1	(5)	8	(9)	(27)	2
PNB	(6)	2	5	(3)	(11)	(0)	11	7	10	5	(19)	11
SBI	(7)	(9)	(6)	10	(3)	(1)	(2)	(4)	25	15	(23)	11
Union Bank	(10)	(4)	(3)	21	9	(5)	4	(1)	36	29	(18)	24
Old private banks												
City Union Bank	(0)	6	28	45	5	6	14	30	63	25	(8)	46
Federal Bank	(10)	(4)	20	64	19	(4)	4	22	85	41	(14)	66
Karur Vysya Bank	(6)	11	19	54	23	(0)	20	22	74	46	(9)	56
New private banks												
Axis Bank	(3)	(11)	2	5	(4)	3	(3)	4	19	14	(14)	6
Bandhan Bank	9	(14)	20	8	21	16	(7)	23	22	43	(20)	31
DCB	(10)	3	21	55	16	(4)	12	23	75	38	(15)	57
IndusInd Bank	(9)	(6)	14	19	3	(4)	2	16	35	22	(18)	22
HDFC Bank	3	(9)	(4)	(25)	(27)	10	(2)	(2)	(16)	(14)	(29)	6
ICICI Bank	(8)	(6)	8	(4)	(2)	(2)	1	10	8	16	(11)	10
Yes Bank	(6)	(14)	16	(5)	(4)	(0)	(7)	18	8	14	(20)	21
Small finance banks												
AU SFB	(8)	(7)	14	36	(1)	(3)	1	16	54	18	(14)	37
Equitas SFB	(7)	(12)	26	20	9	(1)	(4)	29	36	29	(18)	33
Ujjivan SFB	3	7	18	36	24	10	16	21	54	47	(11)	39
Utkarsh SFB	(9)	(11)	15	(27)	(9)	(3)	(4)	17	(18)	7	(39)	33

Source: Company, Kotak Institutional Equities

Exhibit 32: Quarterly result expectations for banks under coverage

	Sep-25	Jun-26	Sep-26E	Change (%)		Comments
				yoy	qoq	
Banks						
AU Small Finance Bank						
Net interest income	21,444	26,955	28,039	31	4.0	We expect the bank to report healthy RoA of ~1.9% and strong earnings growth of ~75% yoy led by healthy operating profit growth and sharp decline in provisions yoy (high base). We expect NIM to remain broadly flat qoq.
Non interest income	7,126	6,892	8,551	20	24.1	
Pre-provision profit	12,097	14,355	16,788	39	17.0	
Loan-loss provisions	4,808	3,715	3,589	(25)	(3.4)	
PAT	5,609	7,960	9,899	76	24.4	
EPS (Rs/share)	7.5	10.6	13.2	76	24.4	
Net advances (Rs bn)	1,157	1,386	1,483	28	7.0	
Deposits (Rs bn)	1,325	1,577	1,705	29	8.1	
NIM - calc. (%)	5.43	5.70	5.67	24 bps	-4 bps	
Yield on advances - calc. (%)	13.55	13.32	13.37	-18 bps	4 bps	
Cost of funds - calc. (%)	6.73	6.18	6.18	-56 bps	0 bps	We expect asset quality to remain stable with pain in unsecured segments behind. Slippages and credit cost might see a seasonal decline. Key discussion will remain around the outlook for loan growth and profitability potential.
Slippages (%)	3.3	2.4	2.4	-90 bps	2 bps	
Credit cost (%)	1.71	1.09	1.00	-71 bps	-9 bps	
BVPS (Rs/share)	239	279	292	22	4.7	
Axis Bank						
Net interest income	137,446	146,461	149,045	8.4	1.8	Loan growth of 18% yoy (~1% qoq) shows a strong recovery while deposits is strong at ~18% yoy. We are building NIM to decline ~10bps qoq (~3.4%) qoq to factor the impact of FCNR deposits raised during the quarter.
Treasury income	4,980	5,370	1,000	(79.9)	(81.4)	
Pre-provision profit	104,125	116,591	115,816	11.2	(0.7)	
Loan-loss provisions	21,330	20,790	19,958	(6.4)	(4.0)	
PBT	68,655	94,366	94,480	37.6	0.1	
Tax	17,759	23,226	23,809	34.1	2.5	
PAT	50,896	71,139	70,671	38.9	(0.7)	
EPS (Rs/share)	16.4	22.9	22.7	38.5	(0.7)	
NIM - calc. (%)	3.4	3.1	3.0	-35 bps	-7 bps	
Slippages (%)	2.0	1.8	1.6	-46 bps	-18 bps	
Net advances (Rs bn)	11,167.0	12,615.6	13,120.2	17.5	4.0	We expect slippages of ~Rs50 bn (~1.5% of loans) mostly led by retail and LLP of ~60bps. Commentary on asset quality outlook likely to be positive. Key discussion areas: Loan growth outlook, impact of FCNR deposits, NIM progression and RoE normalisation to peers.
Bandhan Bank						
Net interest income	25,885	29,206	29,271	13.1	0.2	The bank has reported a loan growth of ~13% yoy (2% qoq) mostly led by non EEB portfolio. Deposit growth has marginally improved to 9% yoy (5% qoq) and led by term deposits. We could see NIM (KS Calc) at 5.7% (unchanged qoq) as loan mix is likely to stable and yields likely to be stable while cost of funds likely to flat. We would expect commentary on NIM expansion to moderate given the pressure on cost of funds.
Pre-provision profit	13,104	13,581	14,098	7.6	3.8	
Loan-loss provisions	11,526	6,826	6,485	(43.7)	(5.0)	
PBT	1,578	6,755	7,614	382.5	12.7	
Tax	459	1,738	2,241	388.0	28.9	
PAT	1,119	5,017	5,373	380.2	7.1	
EPS (Rs/share)	0.7	3.1	3.3	380.5	7.1	
NIM - calc. (%)	5.5	5.7	5.7	19 bps	-1 bps	
Slippages (%)	4.8	2.8	2.6	-213 bps	-17 bps	
Net advances (Rs bn)	1,345.9	1,516.8	1,532.0	13.8	1.0	
Bank of Baroda						
Net interest income	119,536	125,251	127,395	6.6	1.7	We expect operating profits to grow 10% yoy but there would be pressure on revenue growth (NIM and non-interest income) due to the recent mobilisation of FCNR deposits. We are buiding flattish NIM qoq (2.7%, ~5bps qoq decline) factoring the strong FCNR deposits. Reported loan growth at 18% yoy and 17% yoy growth in deposits is probably led by FCNR deposit mobilisation.
Treasury income	8,320	6,390	6,632	(20.3)	3.8	
Pre-provision profit	75,760	81,273	83,645	10.4	2.9	
Loan-loss provisions	8,830	10,430	17,731	100.8	70.0	
PBT	63,435	18,040	61,248	(3.4)	239.5	
Tax	15,341	5,256	12,413	(19.1)	136.2	
PAT	48,094	12,784	48,835	1.5	282.0	
EPS (Rs/share)	9.3	2.5	9.4	1.6	282.0	
NIM - calc. (%)	2.8	2.6	2.5	-23 bps	-3 bps	
Slippages (%)	1.0	1.0	1.3	24 bps	29 bps	
Net advances (Rs bn)	12,583.4	13,957.3	14,892.4	18.3	6.7	We expect slippages at ~1.3% (Rs45 bn) mostly driven from retail and SME. We don't see any negative commentary on asset quality for the near term. Key discussion would be impact of deposit growth (FCNR) and NIM outlook in the near term.
Canara Bank						
Net interest income	91,412	102,153	102,428	12.1	0.3	We expect the bank to report modest earnings growth yoy led by a sharp decline in provisions yoy, while operating profit is expected to decline marginally. NIM is expected to be marginally lower qoq due to transient impact from FCNR deposit mobilization.
Pre-provision profit	85,881	86,359	83,320	(3.0)	(3.5)	
Treasury income	12,170	6,540	8,519	(30.0)	30.3	
Loan-loss provisions	15,036	13,993	17,680	17.6	26.3	
PBT	62,340	65,558	65,640	5.3	0.1	
Tax	14,600	17,000	16,541	13.3	(2.7)	
PAT	47,740	48,558	49,099	2.8	1.1	
EPS (Rs/share)	5.3	5.4	5.4	2.8	1.1	
NIM - calc. (%)	2.2	2.2	2.1	-4 bps	-9 bps	
Slippages (%)	0.8	0.6	0.7	-6 bps	13 bps	
Net advances (Rs bn)	11,510.4	12,933.8	13,737.3	19.3	6.2	We do not expect any major surprise on asset quality in this quarter either. As the net NPL ratio is now low and similar to other PSU banks under our coverage, credit cost is expected to remain low.
City Union Bank						
Net interest income	6,665	8,201	8,371	25.6	2.1	We expect loan growth to be better than industry average at ~20% yoy and deposits to grow at 18%yoy. We expect Nil to grow at ~25% yoy. NIM likely to be flat qoq led by fixed rate gold loan portfolio which is the fastest growing product for the bank. Muted non-interest income due to lower treasury contribution.
Treasury income	216	525	250	15.7	(52.4)	
Pre-provision profit	4,706	5,806	6,148	30.6	5.9	
Loan-loss provisions	400	600	720	80.0	20.0	
PBT	4,136	5,026	5,336	29.0	6.2	
Tax	850	1,200	1,334	57.0	11.2	
PAT	3,286	3,826	4,002	21.8	4.6	
EPS (Rs/share)	4.4	3.9	4.0	(8.9)	4.6	
NIM - calc. (%)	3.3	3.4	3.4	13 bps	-1 bps	
Slippages (%)	1.2	1.2	1.2	5 bps	4 bps	
Net advances (Rs bn)	575.6	676.5	696.8	21.1	3.0	We expect a slippages to be low (~1.2% of loans or Rs2 bn) and a stable commentary on asset quality outlook. Key discussion would be on gold loans (changes to interest rates)/exposure towards gold loans, continuity on loan growth/demand and recovery in RoA/RoE.

Source: Company, Kotak Institutional Equities estimates

Exhibit 33: Quarterly result expectations for banks under coverage

	Sep-25	Jun-26	Sep-26E	Change (%)		Comments	
				yoy	qoq		
DCB Bank							
Net interest income	5,962	6,840	7,039	18.1	2.9	We expect 15% yoy operating profits led by healthy loan growth (20% yoy). We see NIM (KS-calc) to be flat/marginal positive qoq at 3.1% repricing of loans and deposits has been completed. We see deposit growth at ~20% yoy.	
Treasury income	230	160	122	(46.9)	(23.6)		
Pre-provision profit	3,039	3,440	3,607	18.7	4.9		
Loan-loss provisions	605	571	685	13.1	20.0		
PBT	2,434	2,870	2,922	20.1	1.8		
Tax	595	738	754	26.8	2.3		
PAT	1,839	2,132	2,168	17.9	1.7	We expect asset quality to show stable trends with slippages at ~2.4% (Rs3.7 bn) and mostly from retail led by gold loan portfolio. Key discussion: Capital raising exercise, NIM, growth and RoE outlook would be the key variables to monitor.	
EPS (Rs/share)	5.8	6.6	6.7	15.1	1.6		
NIM - calc. (%)	3.1	3.1	3.1	4 bps	0 bps		
Slippages (%)	3.1	2.7	2.4	-70 bps	-27 bps		
Net advances (Rs bn)	529.7	599.5	635.5	20.0	6.0		
Equitas Small Finance Bank							
Net interest income	7,737	10,296	10,504	35.8	2.0	We expect the bank to report a marginal improvement in RoA qoq mainly led by lower credit cost and better operating leverage. NIM is likely to decline modestly led by further increase in cost of funds.	
Pre-provision profit	2,406	4,047	4,458	85.3	10.1		
Loan-loss provisions	2,070	1,607	1,687	(18.5)	5.0		
PBT	335	2,441	2,771	726.3	13.5		
Tax	94	605	709	654.5	17.3		
PAT	241	1,836	2,062	754.2	12.3		
EPS (Rs/share)	0.2	1.6	1.8	751.6	12.3	Asset quality is expected to remain comfortable: gross slippages and credit cost are expected to decline further.	
NIM - calc. (%)	5.9	6.9	6.7	76 bps	-19 bps		
Slippages (%)	6.4	3.5	3.1	-326 bps	-35 bps		
Net advances (Rs bn)	363.5	447.3	476.0	30.9	6.4		
Federal Bank							
Net interest income	24,952	29,459	30,362	21.7	3.1		The bank is likely to report loan growth of ~14% yoy (growth trends slower than industry average due to portfolio mix) and deposits by ~16% yoy with a slight benefit coming through the FCNR window. We expect NII growth of ~22% yoy with NIM flat qoq (3.2%, adjusted). We expect a healthy operating profit growth (~25% yoy) partly on a low base and steady recovery in business. Fee income growth likely to be steady.
Treasury income	1,130	220	600	(46.9)	172.7		
Pre-provision profit	16,442	18,973	20,881	27.0	10.1		
Loan-loss provisions	3,540	3,170	4,914	38.8	55.0		
PBT	12,811	15,796	15,988	24.8	1.2		
Tax	3,258	4,027	3,917	20.2	(2.7)		
PAT	9,553	11,769	12,071	26.4	2.6	We expect slippages at ~1% of loans (~Rs6.2 bn) driven by retail. Slippages, which was driven by MFI, likely to decline further qoq. The key discussion points would be to understand the trajectory of loan growth, NIM progression, impact of FCNR deposits and RoE expansion.	
EPS (Rs/share)	3.9	4.8	4.9	25.8	2.6		
NIM - calc. (%)	2.8	3.0	3.2	37 bps	17 bps		
Slippages (%)	1.0	0.6	0.9	-8 bps	26 bps		
Net advances (Rs bn)	2,446.6	2,775.0	2,858.2	16.8	3.0		
HDFC Bank							
Net interest income	315,515	335,340	339,878	7.7	1.4	The headline reported numbers on loan growth is marginally lower than industry average (~16% yoy). CD ratio was stable on period-ending basis at ~95% (impact of FCNR deposits has been lower). Deposits grew 19% yoy. We are building NIM to remain stable or marginally decline this quarter.	
Treasury income	23,900	4,200	10,000	(58.2)	138.1		
Pre-provision profit	279,236	281,681	290,879	4.2	3.3		
Loan-loss provisions	35,005	30,598	32,127	(8.2)	5.0		
PBT	244,231	251,083	258,752	5.9	3.1		
Tax	57,818	60,486	63,653	10.1	5.2		
PAT	186,413	190,597	195,099	4.7	2.4	We expect gross NPL ratio to be stable with slippages at 1.2% of loans. Near term focus would be the progress of NIM (NIM to improve slower-than-expected), impact of FCNR deposits and execution under the new management.	
EPS (Rs/share)	12.1	12.4	12.7	4.4	2.4		
NIM - calc. (%)	3.4	3.2	3.2	-18 bps	-6 bps		
Slippages (%)	1.1	1.1	1.2	5 bps	9 bps		
Net advances (Rs bn)	27,463.6	30,373.0	31,891.7	16.1	5.0		
ICICI Bank							
Net interest income	215,295	243,844	244,876	13.7	0.4	We expect ~15% y-o-y PPOP growth led by healthy revenue growth. Loan growth is likely to be at ~25% yoy (FCNR deposits boost). We are building NIM to decline ~15 bps qoq at 3.8% (KS Calc) -reported NIM would be higher than our estimates) mainly due to the impact of FCNR deposits raised in the quarter.	
Treasury income	2,200	1,510	1,667	(24.2)	10.4		
Pre-provision profit	172,980	203,861	197,629	14.2	(3.1)		
Loan-loss provisions	9,141	12,605	16,386	79.3	30.0		
PBT	163,839	191,256	181,243	10.6	(5.2)		
Tax	40,250	43,211	43,045	6.9	(0.4)		
PAT	123,589	148,045	138,198	11.8	(6.7)	We expect lower credit costs (0.4%) with no new surprises on provisions. We are building slippages of ~1.5% (~Rs58 bn). We don't expect any negative commentary on asset quality. Key discussion areas NIM outlook and loan growth trajectory considering external environment.	
EPS (Rs/share)	17.3	20.6	19.3	11.4	(6.7)		
NIM - calc. (%)	4.0	4.1	4.0	0 bps	-2 bps		
Slippages (%)	1.5	1.4	1.4	-5 bps	0 bps		
Net advances (Rs bn)	14,084.6	16,312.6	17,454.5	23.9	7.0		
IndusInd Bank							
Net interest income	44,094	46,847	46,652	5.8	(0.4)	We expect a marginal profit led by low credit costs. Loan growth is weak (-2% yoy) but sequential growth looks promising at 3%. We are building NIM to remain flat for the quarter. Recovery in NIM is likely to be in 2H. Deposit growth was weak at 5% yoy but there is improvement qoq suggesting early signs of recovery in business.	
Treasury income	1,050	2,100	1,750	66.7	(16.7)		
Pre-provision profit	20,280	26,831	25,219	24.4	(6.0)		
Loan-loss provisions	26,224	13,399	12,059	(54.0)	(10.0)		
PBT	(5,944)	13,432	13,160	NM	(2.0)		
Tax	(1,496)	3,407	3,158	NM	(7.3)		
PAT	(4,448)	10,025	10,002	NM	(0.2)	We expect provisions to remain higher as the bank is looking to reduce net NPL ratios lower (closer to peers). We are building slippages of ~2% (~Rs16 bn) led by lower slippages from MFI, vehicles and corporate loans. Key focus area would be (a) execution of strategy of the new management, (b) reduction in marginal cost of funds and (c) RoE progression.	
EPS (Rs/share)	(5.7)	12.9	12.8	NM	(0.2)		
NIM - calc. (%)	3.3	3.4	3.3	-3 bps	-14 bps		
Slippages (%)	3.0	2.1	2.0	-105 bps	-11 bps		
Net advances (Rs bn)	3,258.8	3,262.7	3,356.6	3.0	2.9		

Source: Company, Kotak Institutional Equities estimates

Exhibit 34: Quarterly result expectations for banks under coverage

	Sep-25	Jun-26	Sep-26E	Change (%)		
				yoy	qoq	Comments
Karur Vysya Bank						
Net interest income	12,612	14,228	14,832	17.6	4.3	We expect a healthy ~30% yoy earnings growth led by healthy NII growth and lower provisions. Loan growth is solid at ~20% yoy while deposits grew ~16% yoy. A strong gold loan portfolio is enabling the bank to deliver higher NIMs at this stage of the cycle. We expect NIM to be flat/marginal decline qoq at ~3.9% factoring early stages of changes to loan mix.
Pre-provision profit	10,174	10,956	11,468	12.7	4.7	
Loan-loss provisions	2,610	680	1,044	(60.0)	53.5	
PBT	7,430	10,053	10,232	37.7	1.8	
Tax	1,691	2,496	2,452	45.0	(1.8)	
PAT	5,740	7,557	7,355	28.1	(2.7)	We expect an unchanged headline gross and net NPL ratio but slippages likely to be at ~1% (Rs2.5 bn) with no major concerns on commentary on asset quality. Near term concern is likely to be on gold loan exposure (decline in prices), growth and profitability.
EPS (Rs/share)	5.9	7.8	7.6	28.3	(2.7)	
NIM - calc. (%)	3.9	3.9	3.9	2 bps	-4 bps	
Slippages (%)	1.6	0.6	1.0	-57 bps	44 bps	
Net advances (Rs bn)	927.2	1,046.8	1,115.9	20.3	6.6	
Punjab National Bank						
Net interest income	104,688	107,984	111,316	6.3	3.1	We expect earnings to decline marginally yoy led by flat operating profit, while provisions are likely to remain low. We expect the bank to reverse (at least partly) the non-NPA provisions created during 2QFY26 from one chunky recovery of ~Rs12 bn. NIM is expected to remain broadly flat qoq.
Treasury income	16,130	7,720	7,720	(52.1)	0.0	
Pre-provision profit	72,271	75,192	72,032	(0.3)	(4.2)	
Loan-loss provisions	(6,390)	7,920	7,500	NM	(5.3)	
PBT	65,840	69,780	64,315	(2.3)	(7.8)	
Tax	16,803	17,247	16,465	(2.0)	(4.5)	We expect slippages to remain low. We have assumed ~10% yoy decline in TWO recoveries. Credit cost outcome will depend on the extent of buffer creation for ECL (Rs3-4 bn each in the past two quarters) and management decision of reversing buffer provisions.
PAT	49,037	52,533	47,851	(2.4)	(8.9)	
EPS (Rs/share)	4.3	4.6	4.2	(2.4)	(8.9)	
NIM - calc. (%)	2.4	2.3	2.3	-9 bps	0 bps	
Slippages (%)	0.7	0.7	0.7	0 bps	4 bps	
Net advances (Rs bn)	11,337.8	12,414.0	13,092.3	15.5	5.5	
State Bank of India						
Net interest income	429,841	469,924	485,730	13.0	3.4	We expect operating profit to grow ~5% yoy (base quarter had stake sale of Yes Bank). We are building 13% yoy NII growth led by 18% yoy loan growth. NIM likely to be flat qoq with negligible impact from FCNR deposits mobilized. We are building slower fee income growth and accounting for stake sale gains from NSE.
Treasury income	74,700	43,190	42,677	(42.9)	(1.2)	
Pre-provision profit	319,041	335,292	335,529	5.2	0.1	
Loan-loss provisions	41,323	33,590	43,667	5.7	30.0	
PBT	265,040	284,824	269,921	1.8	(5.2)	
Tax	63,444	73,612	68,340	7.7	(7.2)	We expect slippages at ~1.1% of loans (normalisation of slippages over time) but no fresh concerns are likely in any portfolio for the bank. We are likely to see lower recovery and upgrades as well. Key discussion would NIM progression for the quarter.
PAT	201,597	211,212	201,580	(0.0)	(4.6)	
EPS (Rs/share)	21.8	22.9	21.8	(0.0)	(4.6)	
NIM - calc. (%)	2.5	2.5	2.5	-2 bps	2 bps	
Slippages (%)	0.5	0.6	1.1	64 bps	51 bps	
Net advances (Rs bn)	43,617.4	49,920.0	51,417.6	17.9	3.0	
Ujjivan Small Finance Bank						
Net interest income	9,217	11,874	12,441	35.0	4.8	We expect strong earnings growth yoy (low base) led by healthy growth in operating profit and sharp decline in provisions yoy. Business growth is likely to be strong across segments. NIM is expected to be decline ~10 bps qoq due to shift in loan mix away from microfinance.
Pre-provision profit	3,952	5,481	5,380	36.1	(1.8)	
Loan-loss provisions	2,350	1,273	1,459	(37.9)	14.6	
PBT	1,603	4,207	3,922	144.7	(6.8)	
Tax	386	1,042	940	143.8	(9.8)	
PAT	1,217	3,165	2,981	144.9	(5.8)	We expect asset quality to remain steady hereon. We will expect some commentary around potential disruptions from the weak monsoons and related actions from the company.
EPS (Rs/share)	0.6	1.6	1.5	143.9	(5.8)	
NIM - calc. (%)	7.8	8.4	8.3	47 bps	-9 bps	
Slippages (%)	3.3	1.7	1.6	-179 bps	-13 bps	
Net advances (Rs bn)	338.1	419.8	447.2	32.3	6.5	
Union Bank						
Net interest income	88,124	100,372	101,390	15.1	1.0	We expect earnings to grow yoy led by modest operating profit growth and another quarter of sharp decline in provisions yoy. However, overall RoA is expected to remain healthy at ~1.2%. We expect NIM (calc.) to decline marginally, while NII is expected to be flattish qoq.
Pre-provision profit	68,140	80,026	72,513	6.4	(9.4)	
Loan-loss provisions	5,260	10,196	10,774	104.8	5.7	
PBT	54,172	70,232	61,740	14.0	(12.1)	
Tax	11,681	16,909	15,435	32.1	(8.7)	
PAT	42,491	53,323	46,305	9.0	(13.2)	We expect slippages and credit cost to remain comfortable. Discussion will remain around the trajectory of NIM going forward.
EPS (Rs/share)	5.6	7.0	6.1	9.0	(13.2)	
NIM - calc. (%)	2.5	2.7	2.7	22 bps	-3 bps	
Slippages (%)	0.9	0.8	0.8	-9 bps	0 bps	
Net advances (Rs bn)	9,483.3	10,722.6	11,305.5	19.2	5.4	
Utkarsh SFB						
Net interest income	3,505	4,221	4,857	38.6	15.1	We expect the bank to report a modest profit for the quarter led by improved operating profitability as well as a decline in provisions. We expect NIM to improve led by reduction in non-earning advances (NPAs).
Pre-provision profit	(33)	636	1,477	NM	132.4	
Loan-loss provisions	4,616	1,090	1,308	(71.7)	20.0	
PBT	(4,650)	(454)	169	NM	NM	
Tax	(1,165)	(115)	18	NM	NM	
PAT	(3,485)	(339)	152	NM	NM	We expect slippages to continue to decline steadily led by microfinance business. Focus will remain on the outlook for provisions, overall profitability and timeline of equity capital issuance.
EPS (Rs/share)	(3.2)	(0.2)	0.1	NM	NM	
NIM - calc. (%)	5.5	6.4	7.2	167 bps	81 bps	
Slippages (%)	NA	4.1	3.1	NA	-100 bps	
Net advances (Rs bn)	169.0	184.8	190.3	12.6	3.0	

Source: Company, Kotak Institutional Equities estimates

Exhibit 35: Quarterly result expectations for banks under coverage

				Change (%)		
	Sep-25	Jun-26	Sep-26E	yoy	qoq	Comments
YES Bank						
Net interest income	23,009	27,865	28,366	23.3	1.8	We expect 23% yoy NII growth with healthy loan growth (~25% yoy) partly due to leverage of the FCNR scheme. Deposit growth has accelerated to 20% yoy aided by FCNR deposits. We expect NIM at ~2.7% (10bps marginal decline qoq) partly due to the normal volatility in business (income booked on recovery/RIDF) and also led by FCNR deposits raised recently.
Treasury income	1,510	2,920	200	(86.8)	(93.2)	
Pre-provision profit	12,965	17,040	15,475	19.4	(9.2)	
Loan-loss provisions	6,520	4,810	4,329	(33.6)	(10)	
PBT	8,776	13,095	12,246	39.5	(6)	
Tax	2,231	2,385	2,981	33.6	25	
PAT	6,545	10,710	9,265	41.6	(13)	
EPS (Rs/share)	0.2	0.3	0.3	41	(13)	We should see steady traction on recovery and upgrades this quarter from the retail portfolio. Building slippages of Rs12 bn (1.7% of loans). Earnings impact is difficult to forecast given the nature of provisioning policy. Focus is shifting towards rebuilding the business.
NIM - calc. (%)	2.8	3.0	2.9	9 bps	-12 bps	
Slippages (%)	2.1	1.4	1.7	-39 bps	27 bps	
Net advances (Rs bn)	2,502.1	2,851.2	3,096.4	23.8	8.6	

Source: Company, Kotak Institutional Equities estimates

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ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

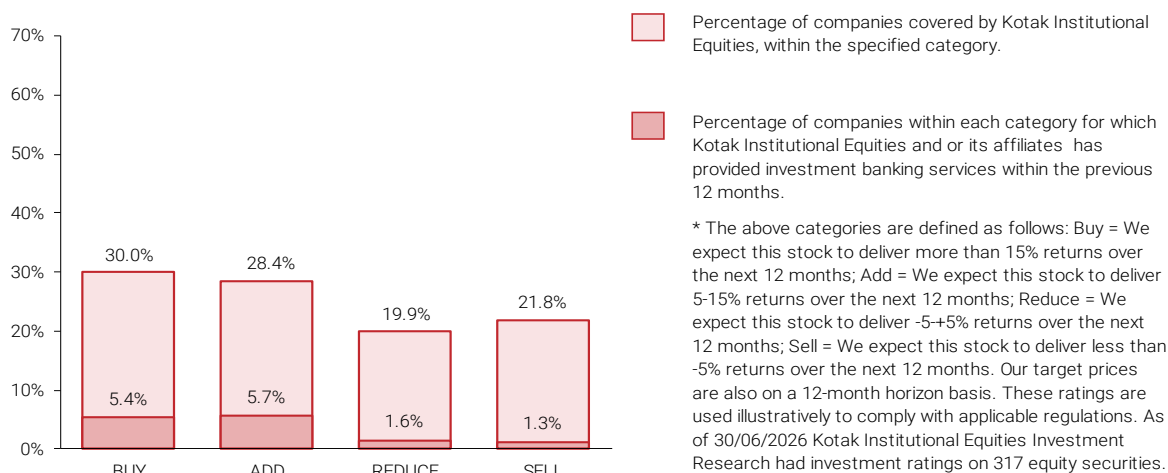
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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