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Adapting to accelerate

Indians are rapidly moving surplus capital from physical assets – gold, real estate, cash – into mutual funds, insurance, equities, and bank deposits. Monthly SIP inflows crossed ₹32,087cr in March 2026 (all-time high), demat accounts have surpassed 18cr, and retail participation in equity markets signals a structural shift in savings behavior.

Indian banks have navigated the worst NPA cycle in history and emerged structurally stronger. With GNPA at multi-decade lows, PCR at record highs, and capital adequacy well above regulatory minimums, the sector enters a new phase.

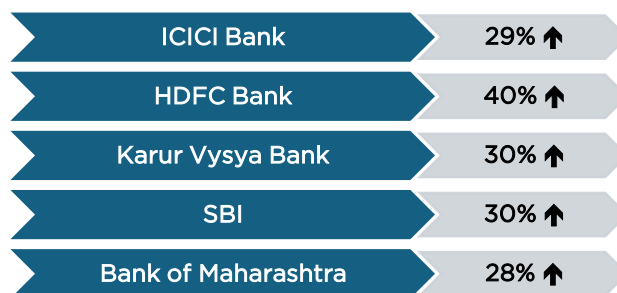
At the same time in the near to medium term, we expect deterioration of credit quality due to uncertainty in global macros. However, the twin headwinds of deposit migration to capital markets and NBFC credit penetration require strategic adaptation. **Banks that build wealth management capabilities, deepen MSME relationships, and modernize liability franchises will command premium valuations.**

INVESTMENT VIEW

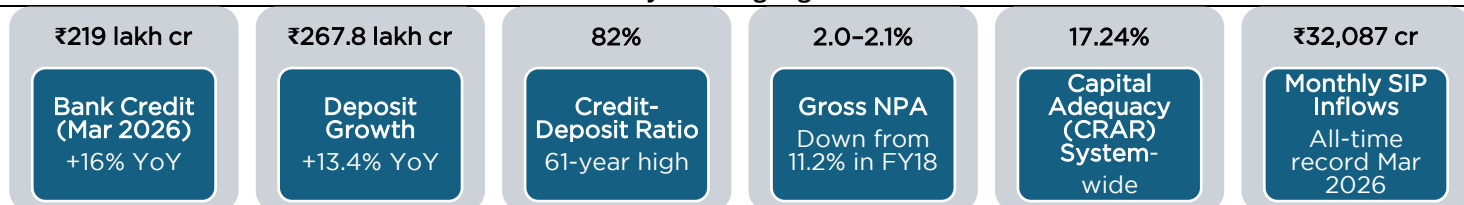
Selective and Conviction-Driven

Private sector banks trade at ~1.96x book — near five-year lows, representing a 20–25% discount to the historical mean P/B of ~2.5x, offering asymmetric risk-reward over a 3+ year horizon.

Potential Upside



System Highlights



Source: Company, Way2Wealth Research

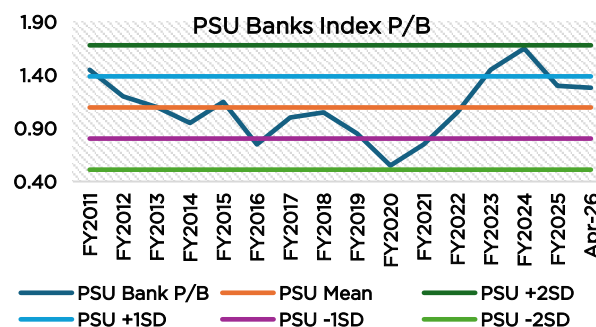
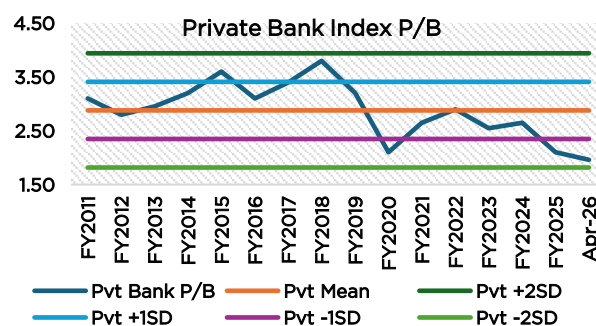
Navigating change and securing the future

Private sector banks represent the single most compelling sector-level investment opportunity in India as of April 2026. **The Nifty Private Bank Index is trading at ~1.96x book — near five-year lows**, representing a 20–25% discount to the historical mean P/B of ~2.5x. Large private banks (HDFC Bank, ICICI Bank) offer highly asymmetric risk-reward over a 3+ year horizon.

Though in the medium-term surging bond yields may drag the banks' non-interest income and profitability, especially large private banks having higher exposure. Inflationary pressures may lead the RBI towards a cautious rate hike in FY27 (~50bps), supporting partial NIM recovery in FY27 after 10–15 bps compression in FY26. Private banks are better positioned than PSU Bank to navigate a tighter rate cycle, owing to their relatively stronger risk-pricing frameworks on both the floating and fixed ends of their lending portfolios.

The credit-to-deposit ratio has reached a multi-decade high of 82%, signalling a stretched banking system. Unsecured retail lending — the highest-margin engine — has slowed sharply after RBI tightening. Fee income is being regulated through UPI's zero-MDR policy. Meanwhile, banks are spending heavily on technology (\$14.5bn in 2025) with only 1% actual productivity gain to show for it.

Therefore, we have a selective view on Banking stocks. **Within private banks we have conviction on ICICI Bank, HDFC Bank & Karur Vysya Bank. Among PSU banks we prefer State bank of India, Bank of Maharashtra.**



Source: Company, Way2Wealth Research

KEY SECTOR METRICS AT A GLANCE			
Metric	Value	Change / Context	Status
Bank Credit (Mar 2026)	₹219 lakh cr	+16% YoY	HEALTHY
Deposit Growth (Mar 2026)	₹267.8 lakh cr	+13.4% YoY	WATCH
Credit-Deposit Ratio	82%	53% in FY01 → 82% now	CAUTION
Gross NPA	2.0–2.1%	Down from 11.2% FY18	STRONG
Net NPA	0.5%	Near record low	STRONG
Capital Adequacy (CRAR)	17.24%	System-wide	STRONG
Unsecured Loan Growth	11%	Was 22% CAGR FY21-24	CAUTION
Credit Card Growth	18%	Was 25% CAGR FY21-24	CAUTION
RBI Repo Rate Cuts FY25	–125 bps	Further cuts likely FY27	HEADWIND
Banking IT Spend 2025	\$14.5 bn	CAGR 17.4% over 10 yrs	WATCH

Source: Company, Way2Wealth Research

CREDIT-TO-DEPOSIT RATIO (HISTORICAL)				
Year	Credit (₹ Lakh cr)	Deposits (₹ Lakh cr)	C/D Ratio (%)	YoY Change (pp*)
FY01	41	78	53.0%	—
FY05	82	127	64.6%	+11.6pp
FY10	159	221	71.9%	+7.3pp
FY14	230	300	76.7%	+4.8pp
FY18	255	345	73.9%	–2.8pp
FY20	260	363	71.6%	–2.3pp
FY22	285	394	72.3%	+0.7pp
FY24	197	252	78.2%	+5.9pp
FY26	219	268	81.7%	+3.5pp

Source: Company, Way2Wealth Research *pp: percentage points

GROSS NPA RATIO — SYSTEM WIDE (FY15–FY27P)			
Year	Gross NPA (%)	Net NPA (%)	Change (pp*)
FY15	4.3%	2.4%	—
FY16	7.5%	4.4%	+3.2pp
FY17	9.5%	5.5%	+2.0pp
FY18	11.2%	6.0%	+1.7pp
FY19	9.1%	4.8%	–2.1pp
FY20	8.2%	3.0%	–0.9pp
FY21	7.5%	2.4%	–0.7pp
FY22	5.8%	1.7%	–1.7pp
FY23	3.9%	1.0%	–1.9pp
FY24	2.7%	0.6%	–1.2pp
FY25	2.3%	0.5%	–0.4pp
FY26	2.1%	0.5%	–0.2pp
FY27(P)	2.0–2.2%	0.5%	Flat

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1. Sector Overview: Transition Over the last 15 Years

The "Golden Era" Transition

The Indian banking sector in **Q3FY26** demonstrated remarkable resilience. While the "Deposit War" intensified, leading to a system-wide Net Interest Margin (NIM) compression of **21 bps**, the absolute profit figures reached record highs.

- **PSU Banks:** Continuing their "Value Re-rating" journey, PSU Banks outshone private peers in profit growth (18% YoY) due to massive recoveries from written-off accounts and treasury gains.
- **Private Banks:** Focusing on "Quality of Deposits" over aggressive loan growth to manage a historically high Credit-Deposit (CD) ratio (~ 82%).
- **SFBs & Regional Banks:** Both bank groups are seeing strong traction in semi-urban and rural credit, though facing selective pressure in the unsecured micro-loan segment due to the RBI's higher risk weights on unsecured consumer loans.

Systemic Loan Growth (15-Year Horizon)

Since 2011, India's systemic credit growth has evolved through in three distinct phases: the Infrastructural Overhang (2011-2015), the Twin Balance Sheet Crisis (2016-2020), and the Post-Pandemic Credit Surge (2021-Present).

- **2011–2014:** High double-digit growth (14-16%) led by corporate infrastructure lending.
- **2017–2018:** Significant dip to single digits (4-6%) due to the AQR (Asset Quality Review) and deleveraging.
- **2025–2026 (Current):** Sustained momentum at 13.1% – 14.6%, driven by a mix of retail consumption and a revival in private corporate Capex.

Credit Scenarios: Corporate vs. Retail Lending

The lending mix of Indian banks has undergone a structural "Retail-ization" over the last 15 years.

Era	Corporate Share (%)	Retail/MSME Share (%)	Comment
FY2011	~ 65%	~ 35%	Dominance of "Big Ticket" infra/steel loans.
FY2021	~ 48%	~ 52%	Retail becomes the anchor (Housing, Personal Loans).
Q3FY26	~ 50%	~ 50%	The Re-balance: Corporate credit is returning as India Inc. begins new Capex cycles.

Source: RBI, Company, Way2Wealth Research

Retail Caution: In Q3FY26, banks deliberately slowed unsecured "small-ticket" personal loans (< ₹50,000) following RBI warnings on systemic heat.

Deposits: CASA Trend (15-Year Horizon)

The CASA (Current Account Savings Account) ratio is the "lifeblood" of a bank's cost of funds.

- **Pre-Demonetization (2011-2016):** CASA hovered around **33-35%**.
- **Post-Demonetization Spike (2017):** Surged to ~ **40%** as liquidity flooded the system.
- **The 2026 Challenge:** The system CASA ratio has moderated to ~ **37%**. Households are shifting from "Savers to Investors," moving idle bank cash into Mutual Funds and Equities.
- **Impact:** Banks are now forced to raise high-cost Term Deposits (FDs), which is the primary reason for the current NIM compression.

Asset Quality: GNPA & NNPA (15-Year Cycle)

The most impressive transformation in Indian banking is the "Cleaning of the Augean Stables."

Year	GNPA (%)	NNPA (%)	Driver
2011 (Baseline)	2.3%	0.9%	Pre-crisis stability.
2018 (The Peak)	11.46%	6.10%	Recognition of hidden stress (AQR).
2023 (Recovery)	3.9%	0.9%	Resolution via IBC and write-offs.
Q3FY26 (Latest)	1.9% - 2.1%	0.5% - 0.6%	Record-low levels; PSU banks improved faster than Private peers.

Source: RBI, Company, Way2Wealth Research

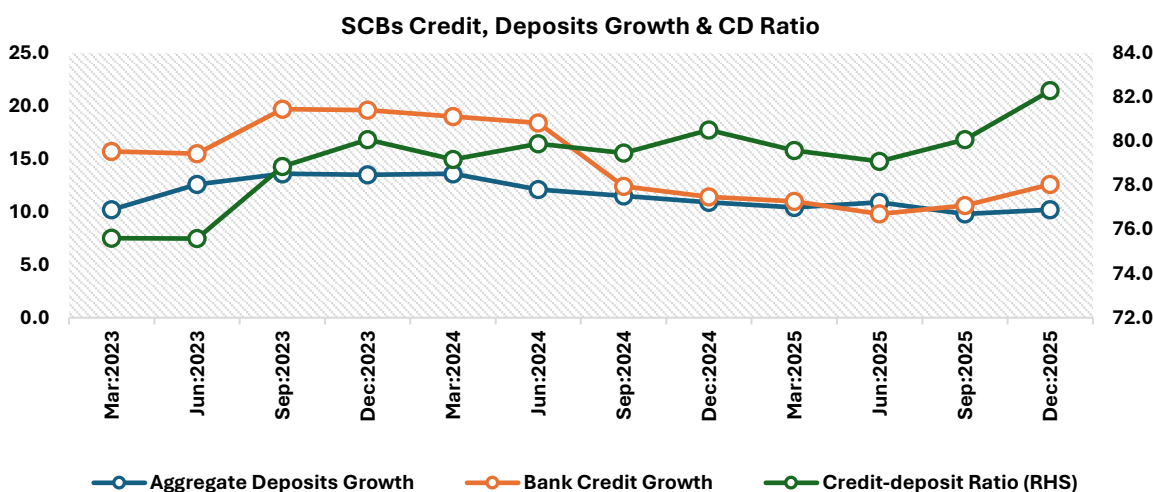
TECHNOLOGY SPEND VS PRODUCTIVITY — THE PARADOX			
Metric	Value	CAGR / Period	Context
Banking IT Spend 2025	\$14.5 bn	17.4% CAGR (10 yrs)	Highest OpEx growth category
Actual Productivity Gain	1%	Over 10 years to FY25	Despite 5x IT spend increase
GenAI Productivity Promise	34–46%	By 2030	Estimate — not delivered result
Incremental AI Capex	Substantial	FY27–28	Before savings materialise
Employee Costs	Sticky / Rising	Annual	Branch expansion + PSU Bank wage settlements

Source: BCG, Company, Way2Wealth Research

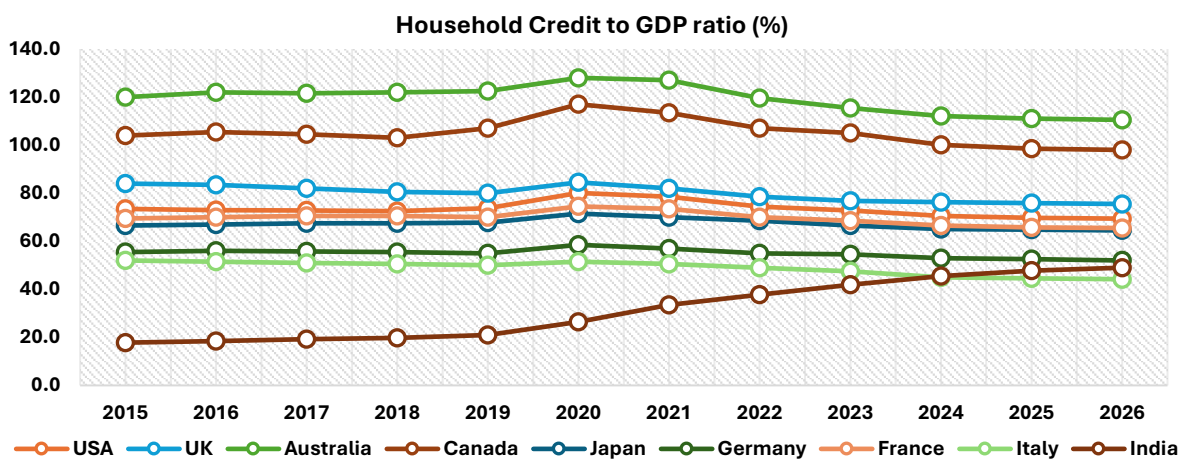
IT spending has grown at 17.4% CAGR over a decade; actual productivity gains are just 1% (BCG). GenAI savings are a 2030 story. The cost valley precedes the efficiency hill.

2. Structural changes in Banking sector

Indian banks are navigating a structural funding inflection point. System credit is expanding at ~ 13% YoY in Q3FY26 while deposit growth trails at ~ 10–11% YoY — a 200–300bps gap that has pushed the Credit-Deposit (CD) ratio to ~ 82% as of December 2025, the highest level witnessed in over six decades. Importantly, this is not a cyclical blip. It reflects a deep structural shift in how Indian households allocate financial savings — away from banks and toward capital markets. The consequences cascade through NIM trajectories, cost of funds, credit growth sustainability, and ultimately, bank profitability. This note dissects the problems, impact analysis, mobilization strategies banks are deploying, and our forward view.



Source: RBI, Way2Wealth Research



Source: World Bank, Way2Wealth Research

India's household credit to GDP ratio (49%) is still far below that of developed countries around 80-85%.

The Indian Banking System: Structural Shifts

The Deposit Problem: By The Numbers

Metric	Value	Context
System CD Ratio (Dec 2025)	~ 82%	61-year high; ~80.8% at Mar-25 peak
Credit Growth YoY (Q3FY26)	~ 13%	Led by retail, MSME, infra
Deposit Growth YoY (Q3FY26)	~ 10–11%	Persistent 200–300bps gap vs credit
CASA Ratio (System, Jun 2025)	~ 36%	Down from 42%+ in Mar 2022
Total Deposits (Dec 31, 2025)	₹253.77 lakh cr	₹220 lakh cr a year ago
Total Non-Food Credit (Dec 2025)	₹208.14 lakh cr	~ 14.4% YoY growth
Household share in incremental deposits	~ 52% FY25	Down from 67% in FY2020
CD issuances (fortnightly, Dec 2025)	₹55,000–78,000 cr	Banks tapping wholesale market aggressively
Savings deposit growth (FY25)	~ 10-year low	Only ~10% of incremental deposits

Source: Company, Way2Wealth Research

Category-wise CD Ratio (as of Dec 25)

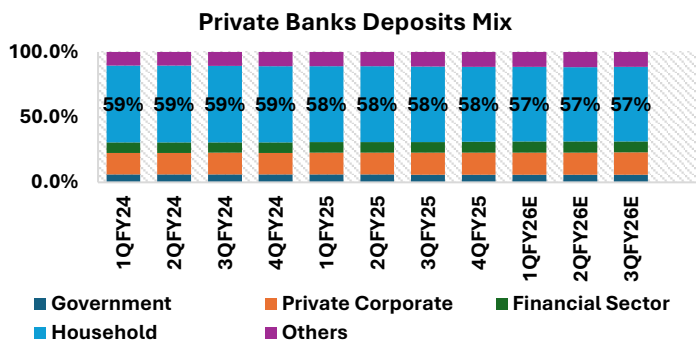
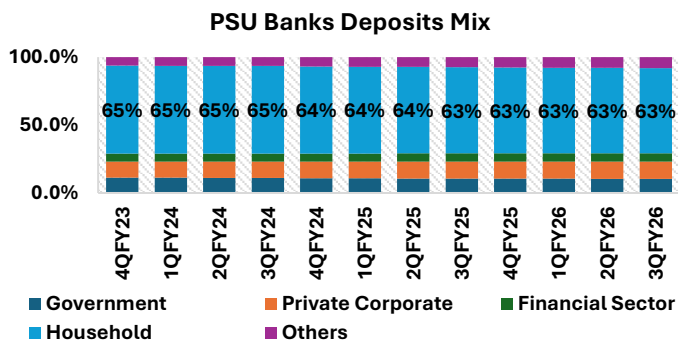
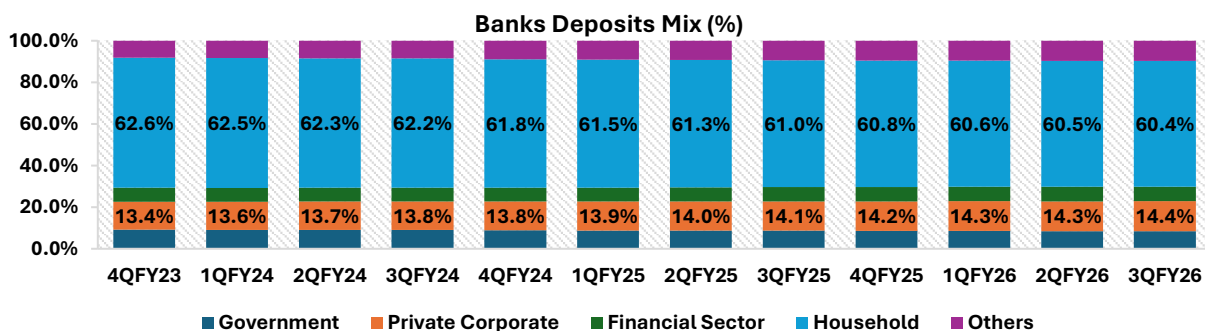
- Private Banks: ~92.6% (elevated; HDFC Bank approaching ~94.7%)
- PSU Banks: ~76% (Gradual creep; still lowest of all groups)
- Small Finance Banks: ~87.8% (Sharp moderation from 118% peak in Mar-23)
- Foreign Banks: ~57.2% (Structurally low; selective corporate lending model)

A. ROOT CAUSES: WHY DEPOSITS ARE LOSING THE RACE

a. Financialization of Household Savings (Structural)

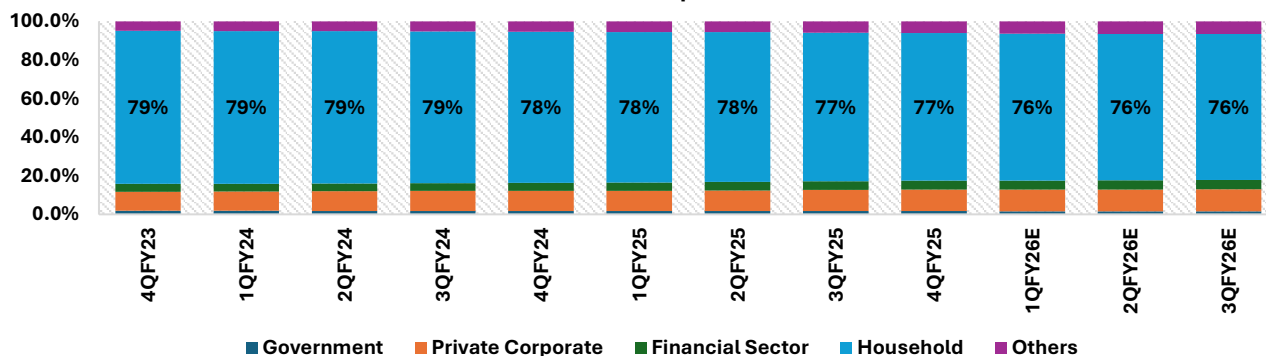
This is the single biggest driver, and it is permanent. Indian households are rewriting their savings playbook:

- **Mutual Fund AUM surged 30% YoY in FY26**, crossing ₹73 lakh cr. SIPs exceed ₹32,000cr/month – a structural monthly drain from bank savings. In FY26 total MF AUM increased by ₹ 3.49 lakh cr.
- **Direct equity investments surged ~153%** in FY25 per RBI data. Demat accounts crossed 18 cr – a new investment middle class is bypassing bank deposits entirely.
- Household bank deposits **declined 8.97% in FY25 to ₹12.54 lakh cr** – an outright reversal, not just moderation.
- Consequently, the household share in incremental deposits has dropped from **67% in FY20 to 52% in FY25** and CRISIL expects this to fall further.
- Corporate deposits now fill part of the gap but are **shorter tenor and rate-sensitive** – a structurally inferior liability.



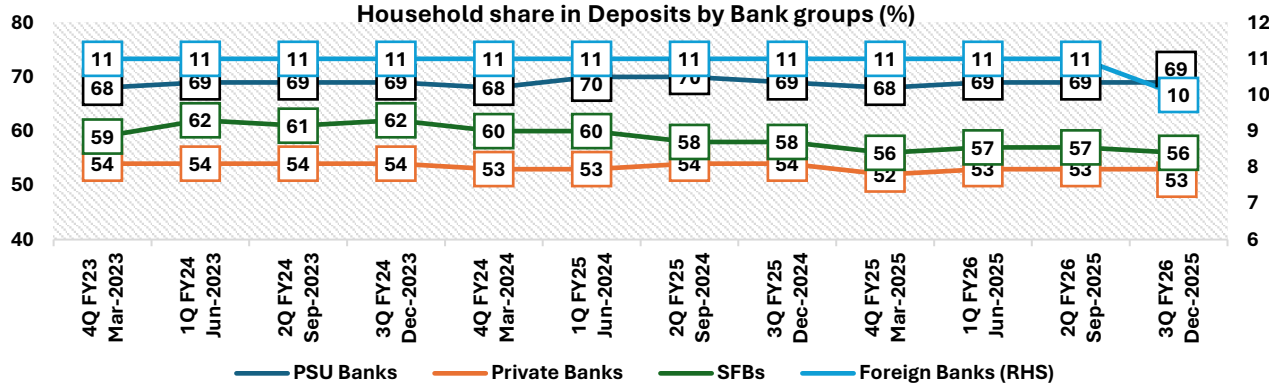
Source: Company, Way2Wealth Research

SFBs Banks Deposits Mix



Source: Company. Way2Wealth Research

Household share in Deposits by Bank groups (%)



Source: Company. Way2Wealth Research

Over the period all banks have been losing household share of deposit in total deposits

Key Insight: Banks no longer have a monopoly on household savings. The 30-year assumption that surpluses automatically flow to bank deposits is broken.

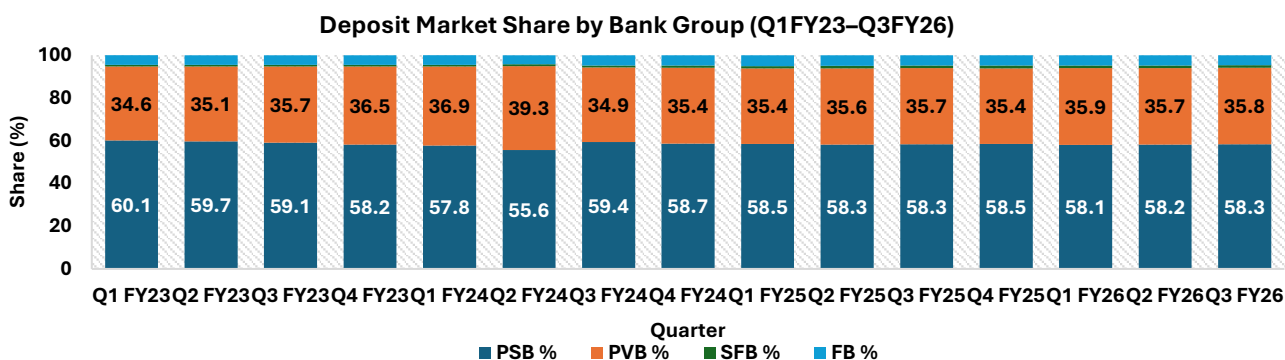
Metric	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26
SIP Inflows (₹ cr)	24,323	25,319	26,459	31,002	29,845	32,087
SIP AUM (₹ Lakh cr)			16.63	16.36	16.89	
Total Industry AUM (₹ L cr)	79.88	79.59	80.23	81.01	82.03	73.73
No. of SIP Accounts (cr)	9.57	9.64	9.79	9.92	10.05	10.19
Equity Net Inflows (₹ cr)	24,690	29,911	28,054	24,028	25,978	40,450
Debt Net Flows (₹ cr)	1,60,000	-25,693	-1,32,410	74,827	42,106	-2,94,987
Hybrid Net Flows (₹ cr)	15,200	11,020	10,756	17,356	11,983	-16,538
Passive/Other (₹ cr)	27,400	18,500	11,690	39,954	13,879	30,768

Note: SIP inflows hit an ALL-TIME HIGH of ₹32,087 cr in March 2026, reflecting deepening retail participation and investor discipline.

b. CASA Deterioration: The Low-Cost Funding Erosion

- System CASA ratio has declined from ~45% in FY22 to ~36% in June 2025 — a 900bps structural collapse in three years.
- Savings deposit growth hit a 10-year low in FY25, contributing only ~10% of incremental deposits.
- Private banks (HDFC, Kotak, Axis) have seen CASA slide further — HDFC Bank's CASA reportedly is around 35%, down sharply from its historic 40%+ levels.
- Current accounts are relatively range-bound; it is savings account balances that are actively migrating to term deposits and mutual funds.
- RBI rate cuts (125bps cumulative in 2025) are making the problem worse: lower savings rates → faster CASA outflow to alternatives.

Key Insight: CASA recovery remains challenging. Banks that built 40%+ CASA as a moat are now seeing it erode. This structurally reprices their cost of funds upward – permanently.



Source: RBI

PSU banks deposits market share has been shrinking in last few years.

PSU Banks are regaining ground: With PVBs managing elevated CD ratios (~ 90% vs PSU Banks ~ 78%), PSU Banks are now growing deposits at a comparable pace (~ 9–10% y-o-y), arresting the share erosion seen in FY22–FY24.

c. Term Deposit Rates: The Compression Trap

With the repo at 5.25% (post 125bps cuts in 2025) and the RBI pausing in February 2026:

- WADTDR on fresh deposits has declined 105bps (Feb–Oct 2025).
- Banks are caught between two pressures: **cut deposit rates to protect NIMs vs. maintain deposit rates to attract flows.**
- Small savings schemes (PPF at 7.1%, SCSS at 8.2%, NSC at 7.7%) offer **government-backed returns that remain superior to most bank FD rates** – untouched for 7 consecutive quarters. This creates a massive competitive disadvantage.
- At high CD ratios, banks **cannot aggressively pass on rate cuts** to depositors without risking further outflows – monetary policy transmission is impaired.

d. Regulatory Cost Disadvantage vs. NBFCs

- Banks are required to maintain a Statutory Liquidity Ratio (SLR) of ~ 18% with a Cash Reserve Ratio (CRR) of 3%, – locking up ~ 21% of deposits in low-yielding assets.
- NBFCs face lighter liquidity constraints, allowing them to **price deposits and loans more aggressively.**
- Banks’ lending to NBFCs at wholesale rates (instead of direct retail) has become a workaround — but adds a layer in the intermediation chain.
- The **updated LCR (Liquidity Coverage Ratio) framework**, though deferred, will further increase the demand for high-quality liquid assets and add pressure.

e. Maturity Profile Mismatch: The Hidden Risk

There is a significant mismatch between the maturity profiles of deposits and advances:

- The 1–3-year bucket shows the largest gap in liability mobilization.
- The 5+ year bucket shows asset concentration — long-duration loans funded by short-duration deposits.
- The incremental CD ratio has crossed 100% in multiple fortnights in FY25 — meaning every rupee of new credit is being funded by more than one rupee that isn't coming from new deposits (funded by wholesale borrowings or liquidating investments)

B. IMPACT ANALYSIS: WHAT DOES AN 82% CD RATIO MEAN?

a. NIM Compression (Already Underway)

- Banks’ cost of funds has risen 15–25bps as CASA is replaced with higher-cost term deposits (at 6–7% yields).
- Even large private banks that once prided themselves on cheap CASA are now repricing liabilities upward.
- **Estimated NIM impact:** 15–25bps compression on system NIM in FY26E, more severe for banks with high CD ratios (private banks, SFBs).
- NIM recovery will be in FY27: Factoring repo rate hike is likely to see yield expansion, though higher borrowing and bulk deposits inch up funding cost.

b. Credit Growth Must Slow — or Wholesale Costs Rise

- At 82% CD, banks have very limited headroom to grow credit at 13% unless: a) Deposits grow at 12%+ (not currently happening), or b) Banks rely more on wholesale funding (CDs, bonds) which is more expensive and volatile.
- Banks have already raised ₹50,000–78,000cr/fortnight through Certificates of Deposit (CDs) — a market-rate instrument.
- Expect credit growth to moderate to 11–12% in FY26–27 unless deposit mobilization meaningfully accelerates.

c. Profitability Impact: ROA and ROE at Risk

- Higher cost of deposits + NIM compression directly dents Net Interest Income (NII).
- **Mid-sized private banks and SFBs remain the most vulnerable:** they lack CASA franchise depth and face higher deposit rate competition.
- **PSU banks have a buffer:** lower CD ratios (~74%) and stickier retail depositor base.
- For banks like HDFC (CD ~94.7%), IDFC First, Bandhan Bank, and most SFBs, the funding squeeze is acute.

d. Liquidity Risk: Systemic but Manageable

- System-wide stress is not imminent – RBI has provided liquidity via 125bps CRR cuts (equivalent to ~1%+ of deposits), ₹2 lakh cr+ OMO purchases, and \$10bn forex swap.
- But buffers are thin at individual bank level, especially for private sector banks with CD ratios above 90%.
- Wholesale funding reliance creates maturity mismatches and refinancing risk — particularly if market sentiment shifts.
- The RBI expects prices to rise to 4.6% in FY27, partly driven by global economic uncertainty and ongoing supply chain issues. If this plays out, liquidity in the system could tighten, making deposits harder to come by and more expensive for banks. We think this will take a toll on what banks earn from their investment portfolios, reducing trading-related gains by roughly 10–12 basis points in total.

e. Regional Disparities Amplify Risk

- Top 10 districts hold 43% of deposits and 49% of credit.
- Eastern and North-Eastern regions have CD ratios below 52% — vast untapped deposit pools.
- Southern, Western, Northern metros are above 100% CD ratios at district level in many pockets.

C. DEPOSIT MOBILISATION STRATEGIES: WHAT BANKS ARE DOING

a. Tactical: Rate Actions (Already in Play)

- **Special tenor FD products at premium rates:** Indian Bank's "IND Supreme 2.0" (300 days), "IND SECURE" (444 days), "IND GREEN" (555 days, green deposits). These non-standard tenors are priced 15–30bps above standard buckets to attract savers.
- **Senior citizen premium FDs:** 0.50–0.75% additional rate; super senior (80+) getting 0.75–1.00% premium. A targeted, cost-effective way to capture sticky retired savings.
- **NRI deposit push:** NRE FDs at 6.45–7.25%, FCNR(B) in USD/GBP/EUR. Indian diaspora remittances (~\$120bn annually) are a natural deposit pool. India is the world's largest remittance recipient — banks are competing hard here.
- **Bulk deposit rates:** Multiple banks revising bulk deposit rates (₹3cr–₹5cr bracket) upward selectively to lock in large institutional flows (Q4FY25/Q1FY26 revisions).

b. Structural: Liability Franchise Building

- **Branch network expansion in semi-urban and rural areas:** These markets have high deposit propensity but are underbanked. PSU banks have the advantage here; private banks are expanding their footprint (SBI, Bank of Baroda with deliberate semi-urban/rural thrust).
- **Digital deposit onboarding:** Video KYC, instant FD opening via apps. Leading private banks such as HDFC Bank, ICICI bank, Axis bank are investing in frictionless digital deposit opening to reduce the effort gap vs. mutual fund SIP onboarding (which is already seamless).
- **Salary account deepening:** Corporates with salary accounts represent captive float. Banks are offering enhanced benefits (zero-balance, premium debit cards, insurance covers) to win salary mandates — and then cross-sell sticky deposits.

c. Product Innovation

- **Sweep FDs / Auto-FD linked accounts:** Any savings balance above a threshold auto-converts to FD, retaining CASA classification but earning term deposit returns – reduces the incentive to move to mutual funds.
- **Green Deposits:** ESG-labeled deposit products (Indian Bank's IND GREEN is an example). Targets younger, ESG-aware savers. Currently niche but growing.
- **Flexi-Deposit products:** Callable FDs with partial liquidity – reducing the friction between fixed deposits and liquid mutual funds.
- **Recurring Deposit campaigns** targeting SIP-equivalent behavior – systematic monthly deposit plans to compete directly with mutual fund SIPs.

d. Wholesale Funding Diversification

- **Certificate of Deposits (CDs):** ₹55,000–78,000cr raised per fortnight (Dec 2025). Effective but rate-sensitive and short-tenor.
- **Infrastructure Bonds:** Long-tenor bonds (7–10 years) exempt from CRR/SLR — HDFC Bank, SBI, and others have raised billions through this route. Cheaper than equivalent deposits because of the regulatory relief.
- **Bond market issuance:** Tier 2 capital bonds, AT1 bonds to strengthen capital; green bonds for ESG-linked credit.
- **Securitisation/PTC route:** Monetising loan books into pass-through certificates – effectively converting credit assets into funding.

e. RBI's Liquidity Support Measures

The RBI has been actively supporting deposit conditions through:

- **CRR cuts of 100bps** (in FY25–26 cycle), injecting ₹2.5 lakh cr+ of liquidity.
- **OMO purchases of ₹2 lakh cr** in government securities.
- **\$10bn 3-year dollar-rupee buy-sell forex swap** – injecting durable domestic liquidity.
- **LCR framework deferment** – buying banks more time to adjust liability structures.
- **Repo rate cuts to 5.25%** - reducing cost of MSF and SDF borrowings for banks.

D. FORWARD VIEW: FY27 OUTLOOK

- Credit growth moderates to **12–13% in FY27E** – demand-driven slowdown + bank supply constraint.
- Deposit growth stabilizes and improves marginally to **12–13% in FY27E** as rate cycle bottoms and equity market returns normalize.
- CD ratio **eases from 82% to ~79-80% by Mar-27** – a gradual normalization, not a sharp correction.
- **NIM compression of 10–15bps in FY26**, partial recovery in FY27 as deposits reprice lower with a lag and inflationary led possible rate hike expand yields.
- CASA ratio stays **depressed at 35–38%** - structural disintermediation continues. No sharp recovery unless equity markets corrects severely.
- **Winners:** ICICI Bank (strong CASA + retail franchise + best ROE), SBI (PSU buffer + improving profitability), Karur Vysya Bank (lean, high ROE, moderate CD ratio).

Stock-Specific Implications

Bank	CD Ratio Risk	Deposit Strategy	Our View
HDFC Bank	HIGH – CD improved slightly: ~94.7%	Aggressive term deposit campaigns, CD issuances, infra bonds	Funding normalisation key trigger; NIM Recovery towards 3.6%-3.7%
ICICI Bank	Moderate: ~85%	Strong CASA (42%), NRI franchise, digital onboarding	Preferred pick – best-in-class ROE (18%+) + manageable funding
Axis Bank	Moderate: ~88%	Citi acquisition base, salary mandates, branch expansion	Attractive at 1.85x P/B; funding improvement will accelerate re-rating
Kotak Mahindra	Low — CASA 51%	Premium customer base, conservative growth	Premium multiple (29x P/E) limits upside; CASA moat still best-in-class
SBI	Low: ~74%	Rural/semi-urban reach, Jan Dhan, salary accounts	Best PSU pick; CD ratio buffer + improving ROE (16.5–18%) by FY27
IndusInd	VERY HIGH – distressed	Vehicle finance NPA + funding squeeze	AVOID until ROE recovers and CD ratio normalises
AU SFB	HIGH – SFB average: 105%	Unique deposit product innovation, Raj/Gujarat retail franchise	Quality outlier in SFB space; premium justified but funding watch required
Federal Bank	Moderate	NRI Kerala franchise (strong FCNR/NRE corridor)	Attractive at 11x P/E; NRI deposit channel is structural advantage
Karur Vysya	Moderate	Conservative, well-capitalised, South India franchise	Best-in-class regional bank; BUY – 16%+ ROE, 1.4% GNPA, 11x P/E

Source: Company, Way2Wealth Research

Key Risks to Monitor

- **CD ratio crossing 85%** system-wide – would trigger RBI guidance/macro-prudential action.
- **SFB sector stress:** CD ratios above 100% + microfinance NPA + funding squeeze is a dangerous combination.
- **Wholesale funding cost spike** if global risk-off event materializes – CD rates could spike 50–75bps.
- **LCR framework implementation** (currently deferred) when enforced, will require banks to hold more HQLA, tightening usable liquidity further.
- **Small savings rate hikes** by the government – would immediately intensify competition for retail deposits.
- **Equity market correction** – double-edged: bad for overall sentiment but could redirect flows back to deposits.
- **Concentration risk:** Top 10 districts hold 43% of deposits – geographic concentration means local economic disruptions can disproportionately impact deposit flows.

The Deposit Imperative

The deposit challenge is not a temporary imbalance that will self-correct when credit growth slows. It reflects a **permanent structural shift** in India's financial savings landscape. Household financialization is irreversible — India's 18 cr+ demat accounts, ₹32,000+ cr monthly SIP flows, and a digitally-native younger generation will not return to passive FD investing.

Banks face a choice: adapt the liability franchise or accept a structural return compression. The winners will be those that:

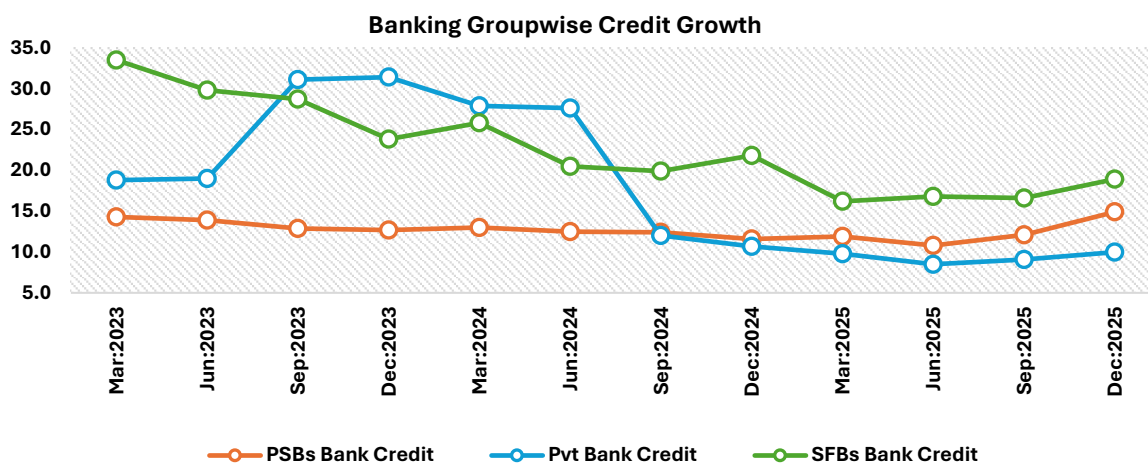
1. Build sticky retail deposit ecosystems through sweep accounts, SIP-equivalent RDs, salary mandates
2. Leverage NRI corridor advantages (particularly banks with South India / Kerala / Gujarat franchises)
3. Diversify wholesale funding intelligently (infra bonds, securitization) without over-relying on short-tenor CDs
4. Maintain CASA above 40% through product innovation and relationship banking – not rate competition alone
5. Keep CD ratios below 85% to preserve lending flexibility and regulatory buffer.

The broader systemic message is clear: Indian banks must transition from being passive recipients of household savings to active competitors in the financial savings marketplace. The era of cheap, abundant CASA is over. The era of deposit strategy as a core competitive differentiator has begun.

3. Banking Group Assessment

PSU Banks

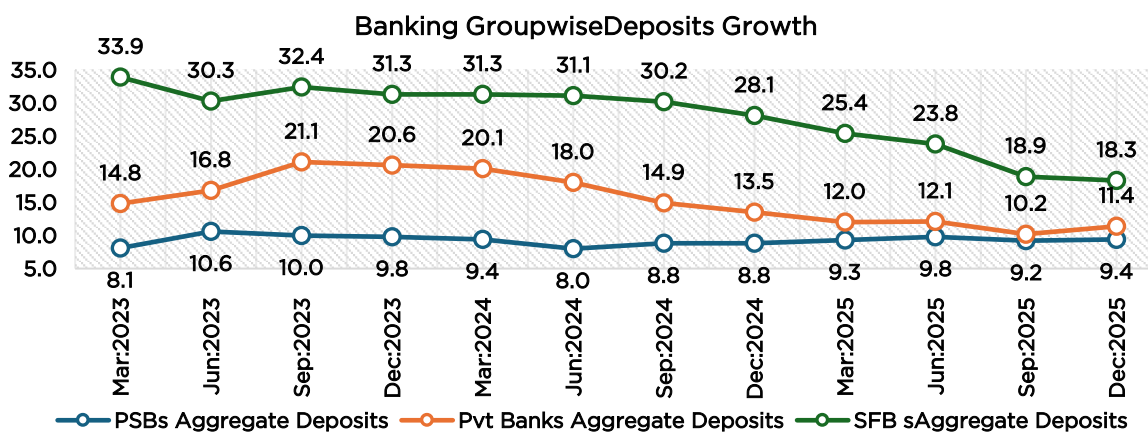
- **CURRENT STATE:** GNPA fell from 14.6% peak (FY18) to 2.6% (Mar-25) the fastest NPA cleanup of any major banking system. ROA at 1.1%, ROE at 16.3% FY25 — best profitability decade in 15 years. CD ratio ~74% lowest of all categories, the highest headroom for corporate capex lending. CASA 40.2% (FY25) first time PSU overtook private banks. SBI and Bank of Maharashtra are top picks. Employee cost surge (FY26–28) is key headwind.
- **GOING FORWARD:** Credit CAGR 11–13% FY26–28E. Front-loaded growth in H1FY27 then moderate. Government infra/MSME mandates provide floor. Best positioned for private capex recovery via project finance. Consolidation optionality (further PSU mergers) remains an underpriced catalyst. Though worsening global macroeconomic conditions are leading to a deterioration in the credit quality of MSME and unsecured retail segments, the impact is expected to be more pronounced on PSU banks than on private sector peers.



Source: RBI, Company. Way2Wealth Research

Private Banks

- **CURRENT STATE:** Best asset quality (GNPA 1.9%, NNPA 0.4%). ROA 1.7%, ROE 14.8%. But CASA falling faster than PSU peers (37.5% FY25 → 33–35% FY27E). CD ratio ~88% HDFC at ~95% structural constraint on FY26 growth. Private banks gained 21pp market share in credit over 15 years (20%→41%) fastest in any major system.
- **GOING FORWARD:** CD normalization is the key unlock — expect re-acceleration from FY27. Credit CAGR 13–16% FY26–28E (back-loaded). ICICI Bank: best-in-class 19.5% ROE FY27E. Altogether large private banks would do better under current global uncertainty, given lower exposure to the self-employed and new to credit (NTC) segments.



Source: RBI, Company, Shriram Research

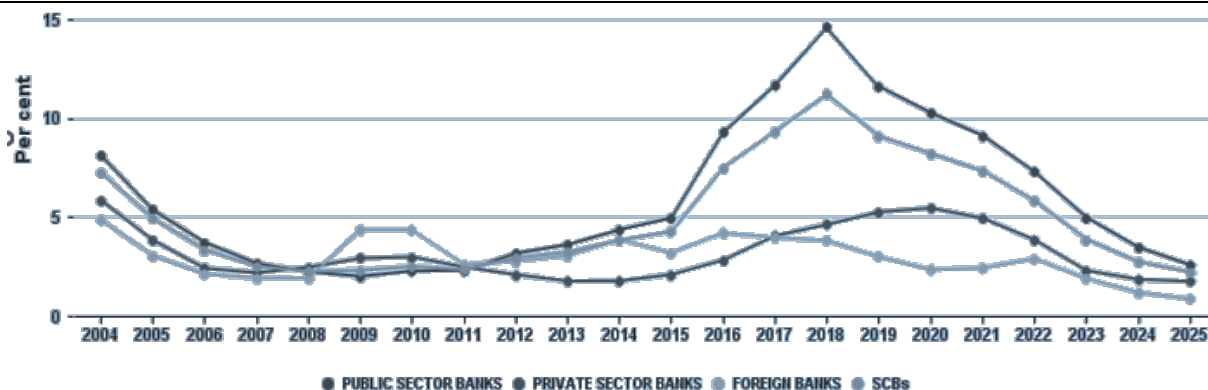
Regional Banks

- **CURRENT STATE:** Deeply undervalued (avg 10x P/E, 1.2x P/B). Gold loan boom in South India structural tailwind. KVB gold loan book +61% YoY. CD ratios manageable (~82%). Karnataka Bank at extreme value (0.62x P/B, 6x P/E). Avg GNPA 2.8% improving; CASA below 30% for most — weakness vs national peers.
- **GOING FORWARD:** Credit CAGR 13–16% FY26–28E; KVB guided 200 bps above system. M&A optionality unpriced. MSME + gold + LAP are the growth engines. KVB: 16% ROE, 1.4% GNPA, 1.7% ROA — best risk-adjusted play in entire sector.

Small Finance Banks

- **CURRENT STATE:** Advances on track to cross ₹2tn in FY26 (CRISIL, 16–17% growth). Decisive shift from microfinance to secured assets (mortgages, vehicles, MSME). CD ratios >100% binding constraint. AU SFB received in-principle universal bank approval (Aug-25). ESAF GNPA at 5.1%, ROE 3.7% avoid. MFI segment stress normalizing H2FY26.
- **GOING FORWARD:** Credit CAGR 16–20% FY26–28E — highest growth of all categories. PSL requirement reduced 75%→60% giving portfolio flexibility. AU SFB only quality pick: 1.7% GNPA, 20%+ CAGR, universal bank pathway.

GNPA as a percentage of Gross Advances



Source: RBI, Company, Way2Wealth Research

Banking group: Key Data

Gross NPA %

Bank Category	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Scheduled Commercial Banks	2.50%	2.30%	2.30%	2.10%	2.00%
Private Banks	1.90%	1.80%	1.90%	1.70%	1.60%
PSU Banks	3.00%	2.70%	2.60%	2.40%	2.20%
Regional Banks	2.40%	2.20%	2.20%	2.10%	2.00%

Source: Company, Way2Wealth Research

Slippages Ratio

Bank Category	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Scheduled Commercial Banks	1.30%	1.20%	1.20%	1.20%	1.20%
Private Banks	1.60%	1.50%	1.50%	1.40%	1.40%
PSU Banks	0.90%	0.80%	0.80%	0.70%	0.70%
Regional Banks	1.40%	1.30%	1.30%	1.20%	1.20%

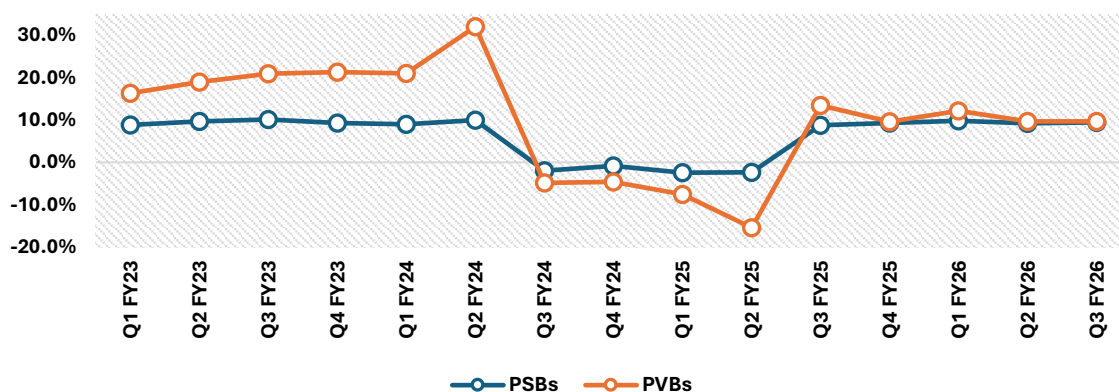
Source: Company, Way2Wealth Research

Credit Costs

Bank Category	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26
Scheduled Commercial Banks	0.85%	0.80%	0.78%	0.75%	0.72%
Private Banks	1.00%	0.95%	0.92%	0.88%	0.85%
PSU Banks	0.55%	0.50%	0.48%	0.46%	0.45%
Regional Banks	0.75%	0.72%	0.70%	0.68%	0.65%

Source: Company, Way2Wealth Research

Deposits Growth PSU Banks Vs PVBs



Source: Company, Way2Wealth Research

4. PVB Vs PSU Banks: Valuation Context: Where We Are in the Cycle

Nifty Private Bank Index — P/B Positioning

The Nifty Private Bank Index, currently trading near 1.96x book value, is approaching its lowest P/B in five years. Historically, the index has traded between 1.8x to 3.5x P/B over the last five years, with the current reading implying a discount of nearly 25-30% to the five-year mean.

This type of valuation compression has historically served as a strong forward indicator. In the last three instances where the Private Bank Index touched the lower end of its P/B range (2020 pandemic lows, mid-2022 rate-shock correction, and Oct-2023 FPI outflow episode), the index delivered 25–40% returns over the subsequent 12 months, provided macro conditions did not deteriorate materially.

Private Bank Valuation Summary

Bank	CMP (₹)	Mkt Cap (₹ cr)	P/B FY26	P/B 5Y Avg	RoA %	ROE %	PE	NIM %	GNPA %
HDFC Bank	771.7	11,88,074	2.02	3.03	1.63	13.73	15.55	3.38	1.15
ICICI Bank	1263.4	9,05,447	2.49	3.05	1.95	16.6	16.63	4.32	1.40
Axis Bank	1268.3	3,94,265	1.83	2.06	1.46	15.15	14.95	3.62	1.23
Kotak Mahindra Bank	383.3	3,81,248	2.05	3.14	2.13	11.97	21.78	4.69	1.48
IndusInd Bank	916.05	71,370	1.08	1.54	0.16	1.36	79.76	3.39	2.1
Yes Bank	19.93	62,541	1.22	1.26	0.79	7.1	17.79	2.70	1.85
IDFC First Bank	69.64	59,910	1.26	1.61	0.43	4.87	33.7	5.93	1.61
Federal Bank	286.95	70,694	2.04	1.4	1.23	12.47	16.18	3.74	1.62
City Union Bank	270.09	20,070	1.91	1.68	1.56	14.15	15.26	3.87	1.91
Karur Vysya Bank	293.5	28,363	2.11	1.23	2.05	20.48	12.38	3.99	0.71
South Indian Bank	39.46	10,329	1.02	0.69	1.08	13.49	7.82	2.86	2.67

Source: Company filings, Bloomberg

PSU Banks — Valuation Landscape

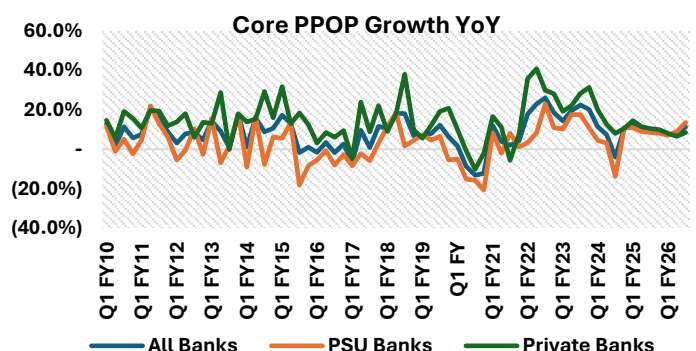
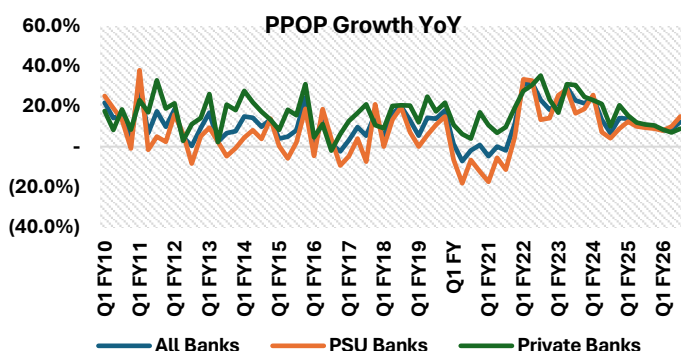
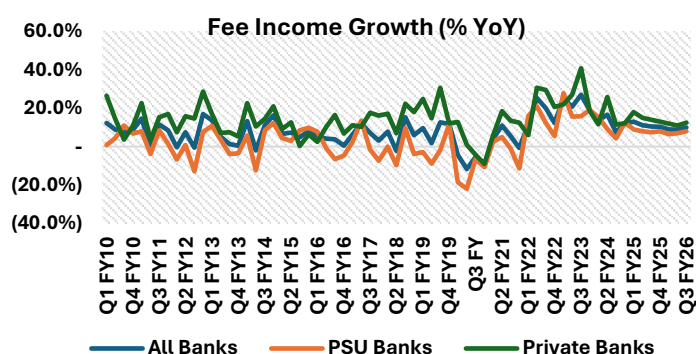
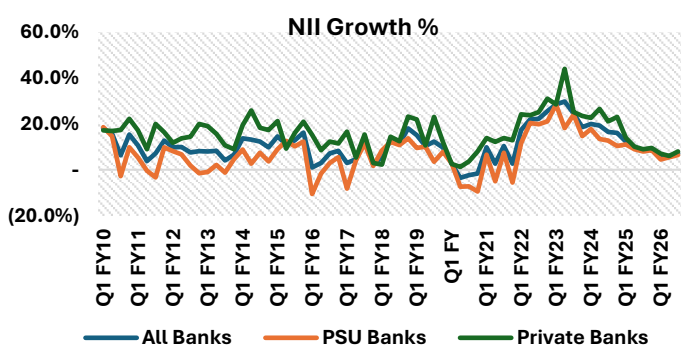
PSU banks as a cohort continue to trade at significant discounts to book value — a structural feature reflecting governance-related valuation discounts, lower ROE, and historically elevated NPA cycles. However, the sector has undergone a meaningful transformation over FY23–FY26, with Gross NPA (GNPA) ratios declining from peak levels of 10–14% to current levels of 1.8–4.1% for most banks.

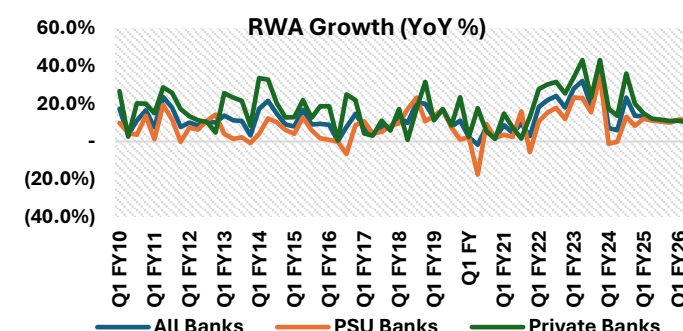
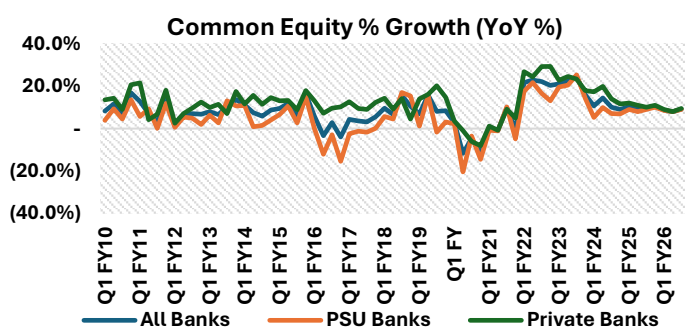
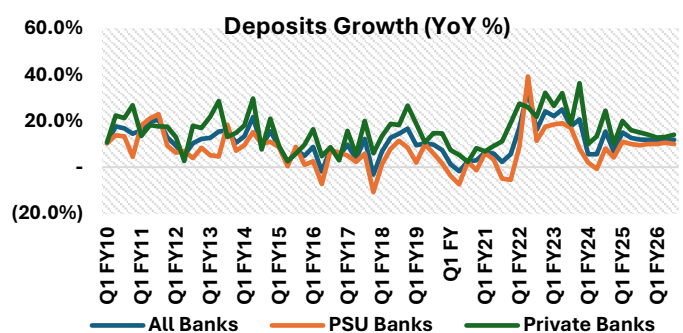
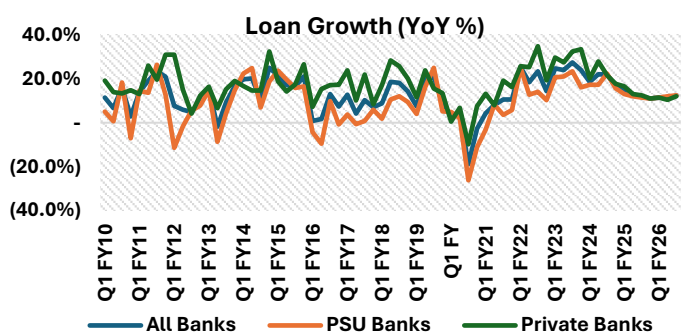
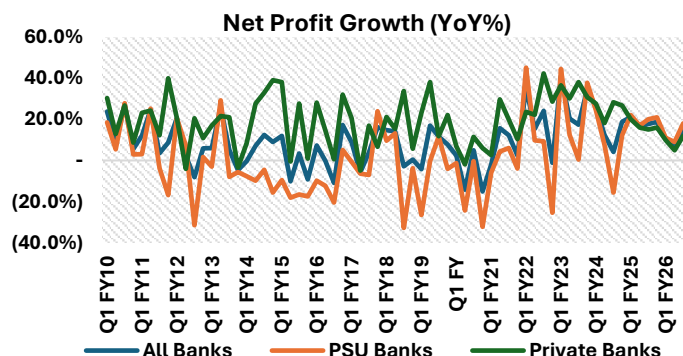
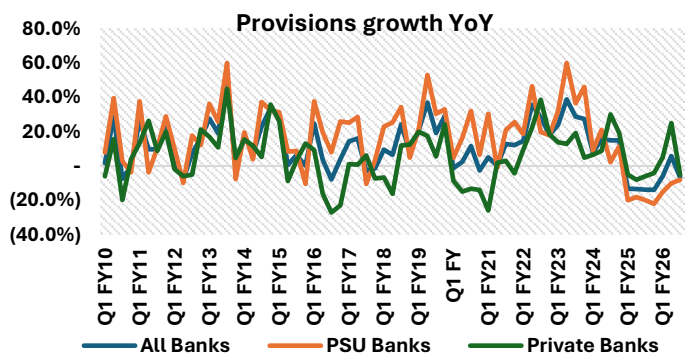
The Nifty PSU Bank Index surged 15% in April 2026, outperforming the Nifty 50's 9.6% gain. However, major PSU banks like SBI, Bank of Baroda, and PNB had declined 18–23% in March 2026 amid bond yield surges and FPI selling, making selective entry attractive in hindsight.

Bank	CMP (₹)	Mkt Cap (₹ L cr)	P/B FY26	P/B 5Y Avg	P/B Disc vs 5Y	P/E (TTM)	ROE %	NIM %	GNPA %
SBI	1,067.5	9,85,368	1.73	1.51	1.2	20.68	11.66	2.99	1.57
Bank of Baroda	261.63	1,35,298	0.83	0.84	1.1	15.59	5.64	2.79	2.04
PNB	108.8	1,25,043	1.06	0.74	1.1	17.8	7.03	2.65	3.19
Canara Bank	133.5	1,21,093	1.03	0.77	1.1	16.62	6	2.31	2.08
Union Bank	164.43	1,25,519	0.94	0.75	1.4	18.04	6.46	2.64	2.82
Bank of India	139.44	63,482	0.74	0.61	1.0	15.34	6.23	2.57	2.26
IOB	35.08	67,552	1.89	2.51	1.2	16.28	13.59	3.21	1.42
Bank of Maharashtra	78.5	60,379	1.82	1.42	1.97	26.61	8.61	3.9	1.45

Source: Company filings, Bloomberg

Story in Charts





Source: Company, Way2Wealth Research

Return Metrics – Private Banks Lead on Quality

Private banks continue to structurally deliver superior return profiles. The median ROE for private sector banks is approximately 15.2% vs 15.0% for PSU banks – a narrowing gap that on the surface looks like convergence. However, the convergence is misleading: PSU ROE improvement is largely driven by provisioning cycle tailwinds (lower credit costs) rather than sustainable structural improvements in NIM or cost efficiency. In contrast, private banks generate their ROE through superior NIMs (~4.0% median vs ~3.2% for PSUs), better cost-to-income ratios, and lower credit costs.

ROA differential remains stark: private banks generate median ROA of ~1.8% vs ~1.1% for PSU banks. Over a full credit cycle (including NPA formation), this gap historically widens to 200–300bps as PSU banks face higher provisioning requirements.

Asset Quality — Private Banks at Multi-Year Highs

Asset quality across private banks is at or near cycle peaks. HDFC Bank's GNPA of 1.15% and ICICI Bank's 1.40% reflect exceptional underwriting discipline. The only area of stress is microfinance (MFI) and unsecured personal loans — both sectors are seeing normalization after over-exuberance in FY24–FY25. Banks like Axis, ICICI and HDFC have proactively reduced their MFI exposure.

PSU banks have also improved significantly: SBI's GNPA of 1.57%, Bank of Baroda at 2.40%, and Bank of Maharashtra at a remarkable 1.45%. However, several PSU banks continue to carry GNPA above 3% (PNB at 3.19%, Canara at 2.08%, Union Bank at 2.82%), and their provision coverage ratios – while healthy at 80%+ - mask latent risks in restructured books.

US-IRAN Conflict impact on Treasury (non-interest income) of Banks

Private banks (HDFC, ICICI, Axis): Higher FX revenue sensitivity makes them more exposed in the near-term, but superior capital buffers and diversified loan books provide resilience. NDF rollback is a meaningful earnings recovery catalyst for Q1FY27.

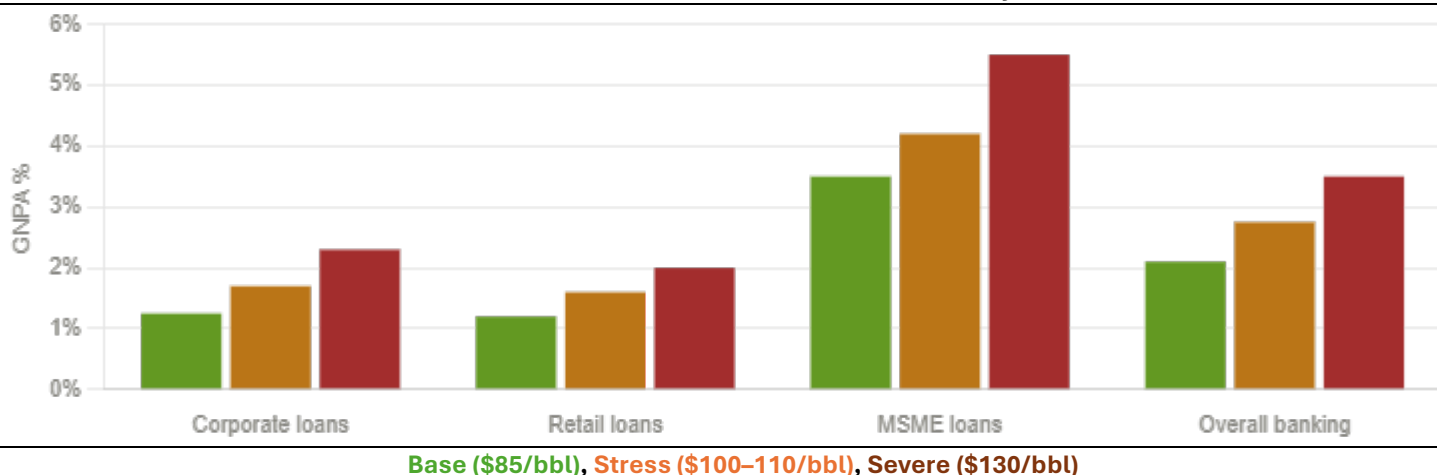
PSU banks (SBI, BoB, PNB/Canara): Lower FX trading impact, but significantly higher MSME and agricultural exposure makes them more vulnerable to the credit quality channel in a prolonged crude shock. PNB and Canara carry the highest tail risk in a severe scenario.

Bank-level sensitivity – forex & crude risk

Bank	FX revenue sensitivity	MSME / SME exposure	Crude-linked credit risk	NDF rollback beneficiary	Overall risk
HDFC Bank	High	Moderate	Moderate	High	Medium
ICICI Bank	High	Moderate	Moderate	High	Medium
Axis Bank	Moderate	High	Moderate	Medium	Medium-High
Kotak Mahindra	Moderate	Low	Low	Moderate	Low-Med
SBI	Low	High	High	Partial	Medium
Bank of Baroda	Moderate	High	High	Partial	Medium-High
PNB / Canara	Low	Very High	Moderate	Minimal	High

Source: Company, Way2Wealth Research

Crude Price Shock Vs Loans GNPA sensitivity



Base (\$85/bbl), Stress (\$100-110/bbl), Severe (\$130/bbl)

Valuation – Private Banks More Attractive vs History

On absolute P/B basis, PSU banks appear cheaper (0.70–1.35x vs 1.68–3.20x for private banks). However, P/B must be evaluated relative to ROE — the Gordon Growth framework suggests fair P/B = (ROE - g) / (CoE - g). For a bank with ROE of 18% (ICICI Bank), the theoretically fair P/B at a 12% CoE and 10% long-term growth is approximately 4x — making 2.88x meaningfully cheap.

For PSU banks with ROE of 13–15% and higher governance/political risk premia (CoE ~14%), the theoretical fair P/B is 0.80–1.0x — meaning several are around fair value rather than deeply undervalued.

The most attractive trade is in large private banks (HDFC, ICICI) where current P/B represents the largest discount to 5-year averages in 4 years and fundamentals are intact.

Private sector banks represent the single most compelling sector-level investment opportunity in India as of April 2026. The combination of (1) P/B trading near five-year lows, (2) structurally superior ROE, NIM, and asset quality vs PSUs, (3) strong Q4FY26 results from HDFC Bank and ICICI Bank, (4) deposit mobilization normalization, and (5) improving NIM-outlook for FY27 — creates a highly asymmetric risk-reward profile.

Conclusion

After broad market correction driven by global geopolitical tensions, large private sector banks now present the most compelling asymmetric risk-reward in the Indian equity market. The Nifty Private Bank Index is currently trading at approximately 1.96x book value — a level close to the lower end of its five-year range and representing a 20–25% discount to the historical average P/B of ~2.5x.

We recommend BUYING on large private banks HDFC Bank and ICICI Bank. Within the mid-cap banking space, we prefer Karur Vysya Bank. Among PSU banks, our highest conviction ideas are State Bank of India and Bank of Maharashtra.

PSU banks are not ignored: SBI remains a top conviction pick given its valuation discount to history and improving fundamentals. However, in aggregate, the private bank thesis is more durable, less dependent on policy/political dynamics, and offers superior compounding potential over a 3–5-year horizon.

Valuation

Private Banks	Mcap (₹ bn)	CMP (₹)	P/E (x)			P/B (x)			RoA			RoE		
			FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Axis Bank	3943	1268.3	16.1	12.7	10.7	1.9	1.7	1.5	1.4	1.5	1.6	12.8	14.1	14.6
City Union	201	270.1	15.1	12.8	10.9	1.9	1.7	1.5	1.6	1.6	1.6	13.2	13.9	14.3
DCB Bank	60	186.8	8.1	6.6	5.5	1.0	0.8	0.7	0.9	1.0	1.0	12.2	13.3	14.2
Federal	707	287.0	17.4	14.4	12.0	1.9	1.6	1.5	1.1	1.2	1.3	11.4	12.2	12.9
HDFC Bank	11881	771.7	15.9	14.2	12.2	2.1	1.9	1.7	1.8	1.8	1.9	14.1	14.1	14.6
ICICI Bank	9054	1263.4	18.2	16.1	14.0	2.7	2.4	2.1	2.2	2.3	2.3	16.0	15.7	15.8
IDFC Bank	599	69.6	32.8	16.6	10.9	1.3	1.2	1.1	0.5	0.8	1.0	4.2	7.4	10.6
IndusInd Bank	714	916.1	106.8	20.0	12.8	1.1	1.0	1.0	0.1	0.6	0.9	1.1	5.3	7.8
Karur Vysya	284	293.5	10.1	9.9	8.1	1.9	1.6	1.4	1.87	1.8	1.9	18.41	17.4	17.94
Kotak Mahindra	3812	383.3	22.0	18.4	13.2	2.2	1.9	1.7	1.9	2.0	2.1	12.0	12.5	13.0
RBL Bank	208	336.6	23.2	18.8	13.4	1.3	1.2	1.1	0.6	1.0	1.2	5.5	7.3	8.5
Yes Bank	625	19.9	19.0	15.3	11.5	1.2	1.1	1.0	0.8	0.8	1.0	6.8	7.9	9.4

Source: Company, Way2Wealth Research, Bloomberg

PSU Banks	Mcap (₹ bn)	CMP (₹)	P/E (x)			P/B (x)			RoA			RoE		
			FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Bank of Baroda	1,362	263.5	7.1	6.8	6.0	0.9	0.8	0.7	1.03	0.97	0.99	13.55	12.77	13.03
Bank of India	637	139.9	6.4	6.2	5.7	0.8	0.7	0.7	0.91	0.88	0.88	12.21	11.48	11.61
Bank of Maharashtra	603	78.4	9.1	8.3	7.1	1.8	1.6	1.3	1.63	1.67	1.63	21.10	20.48	19.50
Canara Bank	1,221	134.7	6.4	6.5	5.8	1.1	1.0	0.9	1.08	0.97	0.97	18.18	15.73	15.63
Indian Bank	1,147	851.9	9.5	8.7	7.9	1.5	1.3	1.2	1.29	1.26	1.24	16.94	15.99	15.54
PNB	1,257	109.4	7.7	7.0	6.3	0.9	0.8	0.8	0.87	0.89	0.87	12.36	12.39	12.35
State Bank of India	9,862	1,068.5	12.4	11.5	10.1	1.9	1.7	1.5	1.13	1.10	1.13	16.41	15.17	15.27
Union Bank of India	1,267	165.9	7.1	6.9	6.4	1.0	0.9	0.8	1.18	1.11	1.07	15.10	13.73	13.30

Source: Company, Way2Wealth Research, Bloomberg

ICICI BANK Ltd

Thriving Amidst Structural Transformation

Q4FY26 Result

- ICICI Bank continues to solidify its position as a market leader, reporting a stellar Q4FY26 performance that highlights its deep operational strength. The bank's Net Profit reached **₹137bn**, representing a healthy **8.5% YoY increase**.
- **Growth Momentum:** Loan advances exceeded expectations, expanding by **6% QoQ**, fuelled by diversified credit demand.
- **Superior Margins:** The Net Interest Margin (NIM) remained robust at **4.32%**, showcasing efficient capital management despite the competitive interest rate environment.
- **Immaculate Asset Quality:** Credit risk profiles improved, with slippages cooling to **1.2%** (down from 1.5% last quarter).
- **Liquidity Strength:** Deposit mobilization was a standout surprise, growing **11.4% YoY**. Crucially, the bank saw a revitalization in CASA (Current Account Savings Account) trends, which provides a low-cost funding advantage.

We maintain our high-conviction stance on ICICI Bank. Its ability to balance growth with prudential risk management makes it our **premier selection** within the Indian banking space.

Important Data

Nifty	24,330.95
Sensex	77,958.52
CMP (₹)*	1,279.50
MCAP (₹ bn)	9,120
52-week H/L (₹)	1500/1187.5
BSE Code	532174
NSE Code	ICICIBANK
Bloomberg Code	ICICIBC IN

*CMP is close price as on 6th May 2026

Shareholding Pattern (%)	Sept'25	Dec'25	Mar'26
Promoters	-	-	-
FII	45.5	43.9	34.5
DII	45.1	46.7	39.9
Public	9.1	9.1	25.4

Investment Thesis

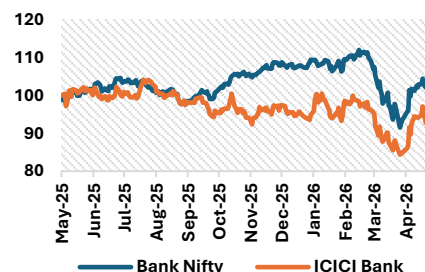
- **Credit Quality at Peak:** GNPA at 1.40% and NNPA at 0.33% are all-time lows, with a ₹13,100cr contingency buffer providing multi-quarter earnings protection. Asset quality will be a positive earnings surprise in FY27.
- **Margin Resilience:** NIM at 4.32% - expanding 2 bps QoQ — in a falling rate environment demonstrates exceptional liability management and pricing power. We expect NIMs to hold in the 4.20–4.35% band in FY27.
- **Growth Reacceleration:** Loan growth of 15.8% YoY is the fastest among large private banks. Business Banking (+24.4%) and Rural segments are emergent growth engines that peers have not fully penetrated.
- **Subsidiary Optionality:** ICICI Prudential Life, ICICI Lombard, and ICICI Prudential AMC are listed entities providing significant embedded value. Subsidiary value per share is estimated at ₹245, representing ~18% of CMP.
- **Attractive Valuation:** At 2.4x FY27E ABV and 16.5x FY27E EPS — trading near a 3-year valuation trough — ICICI Bank offers a rare opportunity to buy a quality compounder at a compressed multiple.

Financials

	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	21.6	18.9	18	15.7	13.3
AP/E (x)	20	17.1	16.2	13.7	11.1
P/BV (x)	3.7	3.1	2.7	2.3	2
AP/ABV (x)	3.4	2.8	2.4	2	1.7
Div. Yield (%)	0.8	0.9	0	1	1.2

Source: Company, Way2Wealth Research

One year comparison chart



Outlook

We see three compounding tailwinds driving the investment case: (1) best-in-class asset quality offering earnings protection; (2) sector-leading loan growth reacceleration at 15.8% YoY; and (3) a conservative FY27 credit cost guidance of 50 bps that is likely to prove conservative, providing room for positive surprise.

ICICI Bank delivered a robust quarterly performance, characterized by near-zero credit provisions and steady net interest margins. Other income came in slightly below expectations, primarily due to a modest loss on the treasury book. Looking ahead, management expects NIMs to hover around current levels through FY27, as the full benefit of the lower cost of funds is yet to be reflected. Corporate portfolio recoveries drove a partial release of provisions during the quarter, though the bank continues to guide conservatively at a credit cost ceiling of 50 basis points – a range we estimate will likely settle between 0.4% and 0.5%. With best-in-class asset quality metrics and a healthy contingency buffer of ₹131bn (approximately 0.9% of the loan book), we view the bank as well-positioned to generate an average Return on Assets of 2.2%-2.3% over FY27-28. **The stock is trading at 1.7x of P/ABV FY28E; our target of 2.4x P/ABV FY28E implies an upside potential of 29% from the current level.**

Forward 12M P/B Ratio



Source: Bloomberg

Financial Summary

Particulars	FY24	FY25	FY26	FY27E	FY28E
NII	743	812	881	1060	1237
PPOP	581	673	716	860	1022
NP	409	472	501	574	678
NIM (%)	5	4	4	4	5
EPS (INR)	58	67	70	80	95
EPS Gr (%)	28	14	5	14	18
BV/Sh (INR)	339	410	473	540	620
ABV/Sh (INR)*	323	383	442	509	589
RoA (%)	2	2	2	2	2
RoE (%)	19	18	16	16	16
Div. Payout (%)	17	17	0	16	16
Valuations					
P/E (x)	21.6	18.9	18.0	15.7	13.3
AP/E (x)	20.0	17.1	16.2	13.7	11.1
P/BV (x)	3.7	3.1	2.7	2.3	2.0
AP/ABV (x)	3.4	2.8	2.4	2.0	1.7
Div. Yield (%)	0.8	0.9	0.0	1.0	1.2

Source: Company, Way2Wealth Research

Particulars	Q4FY26	Q4FY25	YoY Growth	Q3FY26	QoQ Growth	Retail Mix
Mortgage Loan	4,975	4,396	13%	4,753	5%	63%
Vehicle loans	1,008	965	4%	978	3%	13%
- Auto finance	630	619	2%	621	1%	8%
CV and Equipments	375	336	12%	353	6%	5%
Personal Loans	1,302	1,216	7%	1,238	5%	17%
Credit Cards	541	573	-6%	549	-1%	7%
Loan Against Shares	25	22	13%	22	14%	0%
Total Retail Loans	7,852	7,033	12%	7,538	4%	

Source: Company, Way2Wealth Research

HDFC Bank Ltd.

Bottom fishing for high growth

Q4FY26 Result

- HDFC Bank reported Q4FY26 PAT of ₹19,221cr (+9.1% YoY, +3.0% QoQ). This marked India's largest private bank's strongest quarterly profit, underpinned by lower provisions (-18.3% YoY), muted NIM compression (+3 bps QoQ recovery), and multi-year-best asset quality (GNPA at 1.15%).
- The singular investment thesis for HDFC Bank in FY27 rests on one structural inflection: the Credit-Deposit Ratio (CD) has improved sharply from 98.7% in Q3FY26 to 94.6% in Q4FY26, removing the overhang that has suppressed loan growth and compressed margins for the past seven quarters.
- With deposit granularity improving materially (sub-₹3cr deposits now 47% of incremental flows vs. 31% earlier), a robust CAR of 19.71%, and a total FY26 dividend of ₹15.50/share (yield ~1.9%), HDFC Bank offers a compelling risk-reward at current valuations near 3-year lows.
- HDFC Bank's CET-1 of 17.3% is ~500 bps above regulatory minimum. This is not just a safety buffer – it is organic growth ammunition. As CD constraints ease, surplus capital can now be deployed into higher-yielding loan growth in FY27-28.

Important Data

Nifty	24,330.95
Sensex	77,958.52
CMP (₹)*	796.55
MCAP (₹ bn)	6,100
52-week H/L (₹)	1020.5/726.6
BSE Code	500180
NSE Code	HDFCBANK
Bloomberg Code	HDFCB IN EQUITY

*CMP is close price as on 6th May 2026

Shareholding Pattern (%)	Sept'25	Dec'25	Mar'26
Promoters			
FII	48.4	47.7	44.1
DII	36.1	37	40.1
Public	15.3	15.1	15.6

Investment Thesis

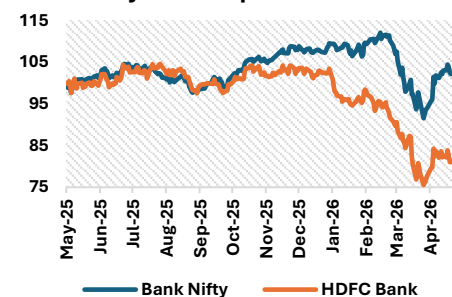
- **CD Inflection — The Growth Re-Enabler:** The CD drop from 98.7% to 94.6% in a single quarter is the most important operational development in 7 quarters. Management has confirmed that CD ratio will no longer constrain loan growth. This unlocks FY27 loan growth reacceleration to 14–16%, which is the primary driver of earnings upgrades.
- **NIM Recovery Has Begun: Q4FY26** NIM of 3.38% (+3 bps QoQ) marks the first sequential improvement after four quarters of decline. As the bank retires ~₹90,000–1,00,000cr of high-cost legacy borrowings inherited from the HDFC Ltd. merger over FY27, NIM recovery toward 3.60–3.70% is a structural inevitability — adding ~₹5,000–8,000cr annually to NII.
- **Best-in-Class Asset Quality: GNPA** at 1.15% (0.91% ex-agri) is the lowest among large private banks. Combined with low credit costs (0.35%) and a well-stocked contingency provision buffer, the bank is positioned to sustain below-cycle credit costs in FY27.
- **Deposit Franchise — Structural Moat:** HDFC Bank's ability to consistently gain deposit market share (+30–50 bps annually for 5 consecutive years) underpins long-term funding cost leadership. Improved deposit granularity (47% of flows now under ₹3cr) structurally lowers cost of funds, supporting NIM recovery.
- **Compelling Valuation — Near 3-Year Lows:** At 1.82x FY27E ABV, HDFC Bank trades near Covid-lows in terms of book value multiples. For the largest, most liquid, and highest-quality private bank franchise in India, this represents one of the most asymmetric risk-reward setups in recent memory.

Financials

Metric	FY26A	FY27E	FY28E
Net Interest Income (₹ cr)	1,34,000	1,52,000	1,75,000
Net Profit (₹ cr)	74,671	88,000	1,02,000
EPS (₹)	47.3	55.7	64.6
BV/Share (₹)	325	375	432
Adj. BV/Share (₹)	308	355	410

Source: Company, Way2Wealth Research

One year comparison chart



Outlook

HDFC Bank's Q4FY26 results provide confirmation the market has been waiting for: the post-merger consolidation phase is ending. The sharp improvement of CD ratio from 98.7% to 94.6%, first NIM sequential improvement in five quarters, record-low GNPA at 1.15%, and a record annual profit of ₹74,671cr together signal a fundamental turning point.

The stock at ₹796.55 trades at 1.82x FY27E ABV — near three-year historical lows and at a level that was previously associated only with Covid-induced distress. HDFC Bank has delivered consistent deposit market share gains, maintained best-in-class asset quality, and built the largest private banking franchise in India. These advantages are enduring, not cyclical.

While HDFC Bank trails peers on NIM (3.38% vs. ICICI's 4.32%) and loan growth (12% vs. ICICI's 15.8%), it leads decisively on asset quality (GNPA 1.15%, best-in-class), balance-sheet scale (₹43.6Lcr) and capital adequacy (CAR 19.71%). The NIM and growth gaps are narrowing — and the valuation discount is excessive. **We recommend BUYING stock for a target multiple of 2.35x of FY28E P/B. This implies an estimated upside potential of ~40% over the next two years.**

Forward 12M P/B Ratio



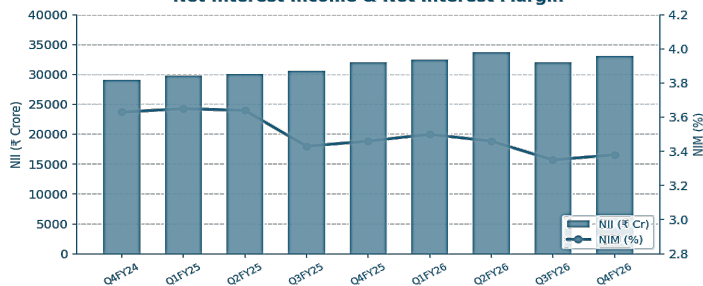
Source: Bloomberg

Financial Summary

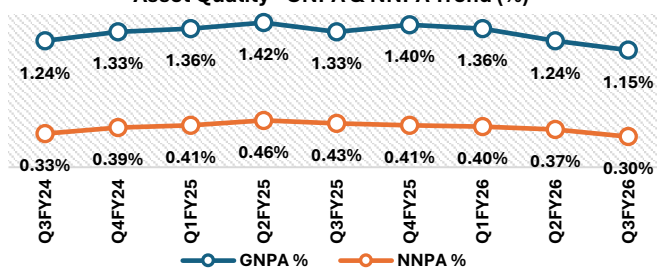
Metric	Q4FY25	Q3FY26	Q4FY26	YoY Chg	QoQ Chg
Net Profit (₹ cr)	17,616	18,664	19,221	+9.1%	+3.0%
NII (₹ cr)	32,070	32,070	33,081	+3.2%	+3.2%
NIM (%)	3.46%	3.35%	3.38%	-8 bps	+3 bps
Other Income (₹ cr)	12,032	12,614	13,200	+9.7%	+4.6%
Op. Profit (₹ cr)	26,537	27,022	27,802	+4.8%	+2.9%
Advances (₹ Tn)	₹26.4T	₹28.4T	₹29.6T	+12.0%	+4.1%
Deposits (₹ Tn)	₹27.1T	₹28.5T	₹31.1T	+14.4%	+9.1%
GNPA (%)	1.33%	1.24%	1.15%	-18 bps	-9 bps
NNPA (%)	0.43%	0.37%	0.30%	-13 bps	-7 bps
Provisions (₹ cr)	3,193	3,155	2,609	-18.3%	-17.3%
CD (%)	97.4%	98.7%	94.6%	-280 bps	-410 bps
CAR (%)	19.07%	19.42%	19.71%	+64 bps	+29 bps

Source: Company, Way2Wealth Research

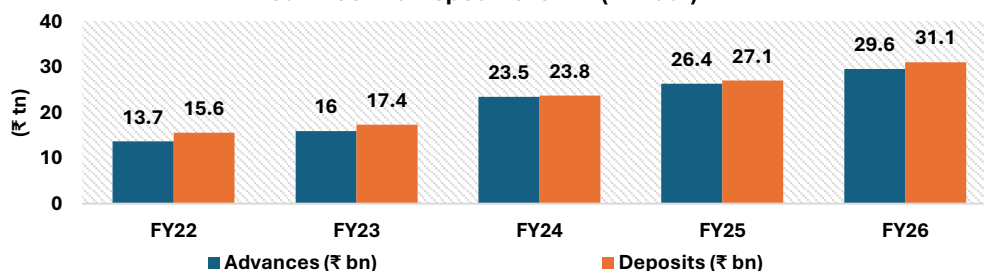
Net Interest Income & Net Interest Margin



Asset Quality - GNPA & NNPA Trend (%)



Loan Book vs Deposit Growth (Annual)



Source: Company, Way2Wealth Research

Karur Vysya Bank

Justified pricing supports ongoing company metamorphosis

Q3FY26 Result

Important Data

KVB delivered its highest-ever quarterly net profit of ₹690cr in Q3FY26, up 39.1% YoY and 20.2% QoQ, handsomely beating analyst consensus of ~₹580–620cr. This was the bank's third consecutive quarter of record profits and the ninth consecutive quarter of double-digit YoY PAT growth. The quality of earnings was high — driven by operating leverage (Cost-to-Income improved to 42.5% from 47.3% YoY), NIM recovery, and near-zero credit costs.

The RoA of 2.05% places KVB in elite company — matching or surpassing large private banks like ICICI Bank and Kotak Mahindra Bank. The RoE of 20.48% is among the highest in the banking sector, driven by a compelling combination of high margins, low credit costs, and improving operating efficiency.

We see four compounding catalysts for re-rating: (1) sustained 17%+ loan growth with sector-leading asset quality; (2) NIM recovery from trough levels toward 3.95–4.10% as deposit repricing eases; (3) Cost-to-Income ratio structural improvement toward 40%; and (4) RoA sustainably above 1.80–1.90% in FY27–28E, supporting premium valuations.

Nifty	24,330.95
Sensex	77,958.52
CMP (₹)*	305.20
MCAP (₹ bn)	294.82
52-week H/L (₹)	343.5/166.8
BSE Code	590003
NSE Code	KARURVYSYA
Bloomberg Code	KVB IN EQUITY

*CMP is close price as on 6th May 2026

Shareholding Pattern (%)	Sept'25	Dec'25	Mar'26
Promoters	-	-	-
FII	15.8	16.9	19.2
DII	39.97	40.2	39.3
Public	42.1	40.8	39.4

Investment Thesis

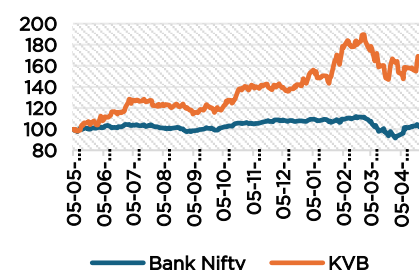
Financials

- **Return Ratio Renaissance:** KVB's RoA has expanded from 0.88% to 2.05% in 3-4 years — one of the fastest return ratio improvements among Indian banks. This is structural, driven by technology investments, cost optimization, credit culture, and mix shift toward higher-yielding retail/MSME. Even normalized at 1.85–1.90% RoA for FY27–28E, the franchise deserves 2.0–2.5x ABV.
- **Asset Quality:** Unmatched Among Peers: GNPA of 0.71%, NNPA of 0.19%, and PCR of 96.76% place KVB in an elite tier that very few regional banks have achieved. With SMA-1 and SMA-2 below 0.4% and unsecured exposure below 3%, the credit risk profile is exceptionally benign, providing multi-year earnings protection.
- **Operating Leverage Flywheel:** The C/I ratio has declined from 51.6% to 42.5% in 3 years, adding ~₹500–600cr annually to operating profit through efficiency gains. Further decline toward 40% is achievable with technology-led branch productivity improvements and digital banking scale-up – adding ~₹250–300cr more to pre-tax profit annually.
- **Loan Growth: Durable 17%+ Runway:** KVB's advances growth is 2% above system credit growth and is driven by RAM (Retail, Agriculture, MSME) verticals that are both granular and high yielding. The bank's geographic expansion into new states, alongside its traditional South India stronghold, provides a long runway of underpenetrated markets.

Metric	FY26E	FY27E	FY28E
NII (₹ cr)	5,010	5,750	6,500
Net Profit (₹ cr)	2,580	3,100	3,600
EPS (₹)	26	31.3	36.3
BV/Share (₹)	138	163	193
ABV/Share (₹)	132	155	184
P/ABV (x)	2.1x	1.8x	1.5x
RoA (%)	1.9%	1.9%	1.9%
RoE (%)	18.5%	17.7%	17.8%

Source: Company, Way2Wealth Research

One year comparison chart



Outlook

KVB leads all listed mid-size regional peers on every key profitability metric: best GNPA (0.71%), best NNPA (0.19%), highest RoA (2.05%), and highest RoE (20.5%) (Q3FY26). Cost-to-Income (C/I) ratio improved to 42.5% from 47.3% YoY — driven by technology investments, digitization-led efficiency gains, and tapering restructuring expenses. Management is targeting C/I below 40% over the medium term. CRAR at 16.05% with CET-1 at 15.06% — well above regulatory requirements of 11.5%, providing capital headroom for 17–20% loan growth through FY27–28 without requiring equity dilution.

At 10.8x FY26E earnings and 2.1x FY26E ABV, KVB trades at a significant discount to its warranted multiple. A bank delivering 18.5%+ RoE, 17%+ loan growth, and sub-1% GNPA should command a valuation of 2.5–2.8x ABV. Our conservative target of ₹389 (2.0x FY28E ABV) implies upside potential of 30%.

Forward 12M P/B Ratio



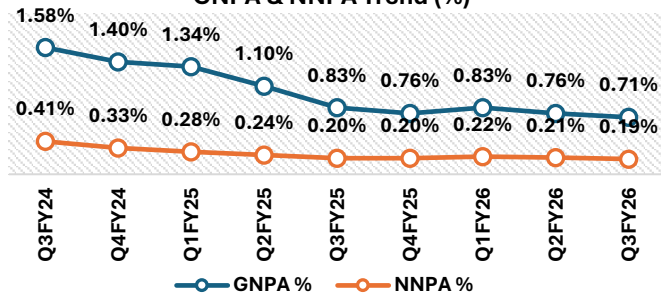
Source: Bloomberg

Financial Summary

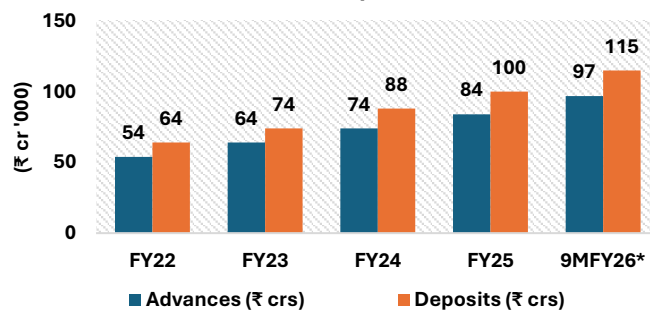
Metric	Q3FY25	Q2FY26	Q3FY26	YoY Chg	QoQ Chg
Net Profit (₹ cr)	496	574	690	+39.1%	+20.2%
NII (₹ cr)	1,081	1,261	1,239	+14.6%	-1.7%
NIM (%)	4.03%	3.77%	3.99%	-4 bps	+22 bps
Other Income (₹ cr)	465	499	509	+9.5%	+2.0%
Op. Profit (₹ cr)	817	854	1,005	+23.0%	+17.7%
Advances (₹ cr)	82,816	92,748	97,052	+17.2%	+4.7%
Deposits (₹ cr)	99,138	1,10,521	1,14,595	+15.6%	+3.7%
GNPA (%)	0.83%	0.76%	0.71%	-12 bps	-5 bps
NNPA (%)	0.20%	0.21%	0.19%	-1 bps	-2 bps
PCR (%)	96.09%	96.76%	96.76%	+67 bps	Flat
CRAR (%)	15.91%	16.58%	16.05%	+14 bps	-53 bps
Cost-Income (%)	47.3%	43.7%	42.5%	-480 bps	-120 bps
RoA (%)	1.74%	1.81%	2.05%	+31 bps	+24 bps
RoE (%)	17.42%	18.10%	20.48%	+306 bps	+238 bps

Source: Company, Way2Wealth Research

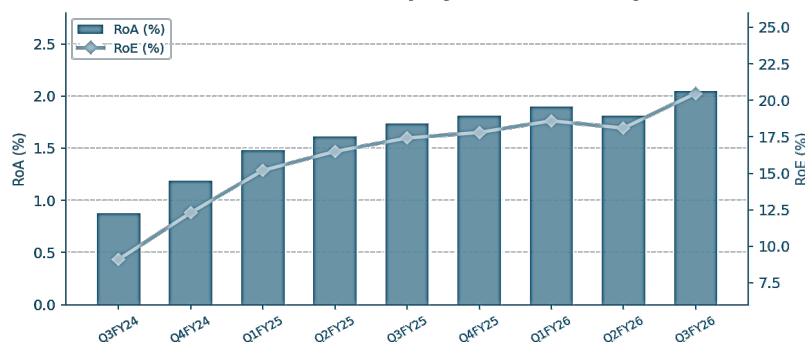
Asset Quality - Best-in-class
GNPA & NNPA Trend (%)



Loan Book vs Deposit Growth



Return on Assets & Return on Equity – Consistent Improvement



Source: Company, Way2Wealth Research

Bank	Mkt Cap	NIM	GNPA	NNPA	RoA	RoE
Karur Vysya Bank	₹28,367 cr	3.99%	0.71%	0.19%	2.05%	18.5%
City Union Bank	₹20,070 cr	3.80%	1.82%	0.90%	1.60%	14.5%
South Indian Bank	₹10,329 cr	3.25%	4.40%	1.20%	0.90%	10.2%
Federal Bank	₹70,725 cr	3.40%	2.09%	0.60%	1.45%	16.0%
DCB Bank	₹6,012 cr	3.70%	3.20%	1.10%	1.10%	12.5%

Source: Company, Way2Wealth Research

Management Quality & Strategic Direction

- MD & CEO B. Ramesh Babu has led KVB's remarkable transformation since 2020 overseeing the bank's evolution from a stressed legacy lender to a disciplined growth franchise. His track record on credit culture, technology investment, and capital efficiency is exceptional.
- The bank has invested heavily in technology infrastructure over FY22–FY26, driving the C/I ratio compression and enabling digital onboarding, straight-through processing, and data-driven credit underwriting.
- KVB operates 898 branches and 2,211+ ATMs/cash recyclers across 22+ states — the branch expansion strategy is targeted at Tier 2/3 cities where competition is lower and yields are higher.
- The bank maintains a very low promoter holding of 2.07%, the entire free float (97.4% of shares) is held by public/institutional investors, indicating high governance standards and transparency.
- Fee income diversification is a deliberate strategy — PSLC (Priority Sector Lending Certificate) income, gold loan fees, and cross-selling of insurance/mutual funds contribute meaningfully to non-interest income, reducing P&L volatility.

State Bank of India
Balancing growth with asset health

Important Data

State Bank of India is India's most systemically important bank, delivering record profits for three consecutive quarters, with GNPA at a 20-year low, domestic NIM held above 3%, and loan growth outperforming every large private bank in Q3FY26. Despite this strong performance, the stock trades at just 1.90x book value — a ~25% discount to ICICI Bank and HDFC Bank on P/BV. The PSU discount is unjustified at a 20%+ RoE and is expected to compress materially as Q4FY26 results and FY27 earnings upgrades flow through.

The macro environment in India entering FY27 has become more complex: crude oil above \$100, FII outflows of ₹1.8 lakh cr in CY2026, a cautious RBI MPC (rates on hold at 5.25%), and a below-normal monsoon forecast. However, these are precisely the conditions where SBI's unmatched franchise — 22,000+ branches, ₹57 trillion deposit base, 96.5 million YONO users — provides insulation that no private bank can replicate.

Nifty	24,330.95
Sensex	77,958.52
CMP (₹)*	1,096
MCAP (₹ bn)	10,110
52-week H/L (₹)	1,235/755
BSE Code	500112
NSE Code	SBIN
Bloomberg Code	SBIN IN EQUITY

*CMP is Close price as on 6th May 2026

Shareholding Pattern (%)	Sept'25	Dec'25	Mar'26
Promoters	55.5	55.5	55.52
FII	9.57	10.34	11.41
DII	27.65	27.04	26.11
Public	7.13	6.97	6.81

Metric	Q3FY25	Q2FY26	Q3FY26	YoY Δ	QoQ Δ
Net Profit (₹ cr)	16,891	20,160	21,028	+24.5%	+4.3%
NII (₹ cr)	39,345	41,620	45,190	+9.0%	+8.6%
Domestic NIM (%)	3.15%	3.09%	3.12%	-3 bps	+3 bps
Other Income (₹ cr)	11,039	12,614	18,359	+66.3%	+45.5%
Operating Profit (₹ cr)	23,547	31,904	32,862	+39.5%	+3.0%
Gross Advances (₹ Tn)	₹40.6T	₹44.0T	₹46.8T	+15.1%	+6.4%
Total Deposits (₹ Tn)	₹52.3T	₹54.4T	₹57.0T	+9.0%	+4.7%
GNPA (%)	2.07%	1.73%	1.57%	-50 bps	-16 bps
NNPA (%)	0.53%	0.42%	0.39%	-14 bps	-3 bps
Credit Cost (%)	0.42%	0.31%	0.29%	-13 bps	-2 bps
CRAR (%)	14.28%	14.22%	14.04%	-24 bps	-18 bps
RoA — Annualised (%)	0.99%	1.15%	1.19%	+20 bps	+4 bps
RoE — 9MFY26 (%)	—	—	20.68%	—	—

Source: Company, Way2Wealth Research

Financials

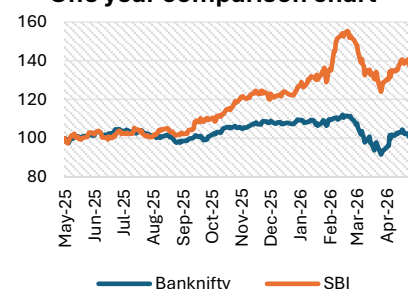
Metric	FY25A	FY26E	FY27E	FY28E
NII (₹ L cr)	1.58	1.80	2.04	2.32
Net Profit (₹ L cr)	0.709	0.83	0.94	1.07
EPS (₹)	79.4	91.8	95.7	112.7
Adj. Book Value / Share (₹)	455	530	614	712
P/ABV at CMP (x)	2.2x	1.83x	1.6x	1.39x
RoA (%)	1.04%	1.10%	1.10%	1.12%
RoE (%)	18.7%	19.5%	18.5%	18.0%
Dividend/Share (₹)	15.90	17-19	19-21	22-24

Source: Company, Way2Wealth Research

Investment Thesis

- **Q4FY26 Results — Upcoming Earnings Catalyst:** Q4FY26 results on May 14, 2026, are a binary near-term catalyst. With MFI stress already telegraphed and discounted, the risk-reward for holding through the results remains favorable. Any positive surprise — NIM beat, credit cost below consensus, or FY27 guidance upgrade — could push the stock to ₹1,200+ in the near term.
- **Record-Breaking Fundamental Momentum:** Three consecutive quarters of being the best-performing large Indian bank (Q1FY26 to Q3FY26), with GNPA at 1.57% (20-year low), RoA at 1.19% (vs. 0.48% just 2 years ago in Q3FY24), and 9MFY26 PAT already exceeding all FY24. This is not a cyclical uptick — it is a structural transformation.
- **India's Infrastructure Supercycle — Only SBI Can Play It at Scale:** India's ₹11 lakh cr government capex in FY27, combined with private sector capacity expansion across manufacturing (PLI schemes), renewable energy (450 GW target by 2030), and urban infrastructure, requires credit at a scale that only SBI can deploy. No private bank has the balance sheet, the government relationships, or the geographic footprint to capture this opportunity on a similar scale.
- **FII Re-Entry Risk is Asymmetric:** FII holding has fallen from 15.2% to 11.4% in two years — representing ~₹30,000-35,000cr of potential re-buying if sentiment reverses. With India's macro concerns (crude, rupee, inflation) likely to stabilize in H2FY27 as global geopolitical tensions moderate, FII flows back into Indian equities would disproportionately benefit SBI given its market cap, liquidity, and index weightage.

One year comparison chart



Outlook

The near-term concerns (MFI provisioning in Q4FY26, agricultural NPA trends, macro headwinds from crude and FII outflows) are real but appear temporary and largely priced in. The structural story — India's infrastructure capex Supercycle, YONO's 96.5 million users, the SBI franchise moat, and the ongoing PSU discount compression — is permanent and undervalued.

FY26E PAT is projected at ₹82,000–85,000cr — a record annual profit — driven by strong Q1–Q3 momentum and a Q4 that, despite MFI-related provisions, should deliver ₹19,000–21,000cr.

FY27E PAT of ~₹94,000cr implies an EPS of ~₹105, putting the forward P/E at just ~10.5x at CMP of ₹1,096 — less than half the P/E of leading private banks for a bank delivering comparable or better loan growth.

The Dividend yield trajectory: ₹17–19/share for FY26, rising to ₹22–24/share by FY28E — offering an improving ~2% yield floor even at higher stock prices.

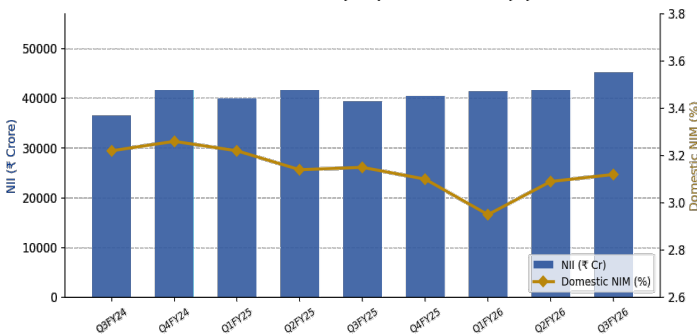
At 1.9x current book value and ~11.7x TTM earnings, SBI offers the cheapest large-cap bank exposure in India on both P/E and P/B metrics. For a bank delivering 20%+ RoE, 15% loan growth, and 20-year low NPAs — any valuation above 2.0x P/B represents fair value. We recommend BUYING for the target multiple of 1.8x FY28E P/BV, implying an upside potential of 30%.

Forward 12M P/B Ratio



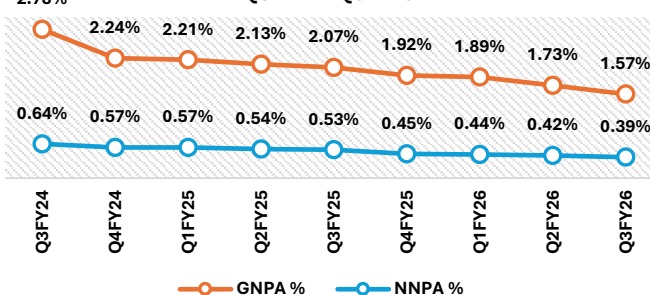
Source: Bloomberg

Net Interest Income (₹ Cr) & Domestic NIM (%)



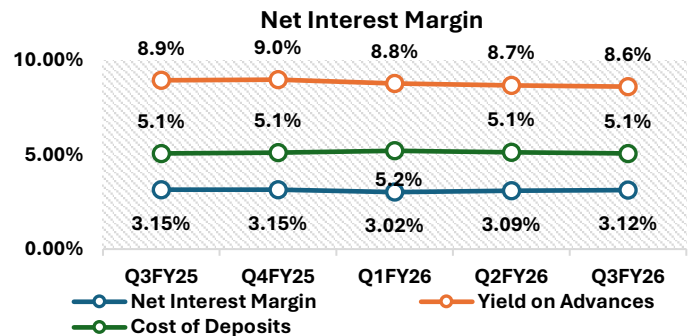
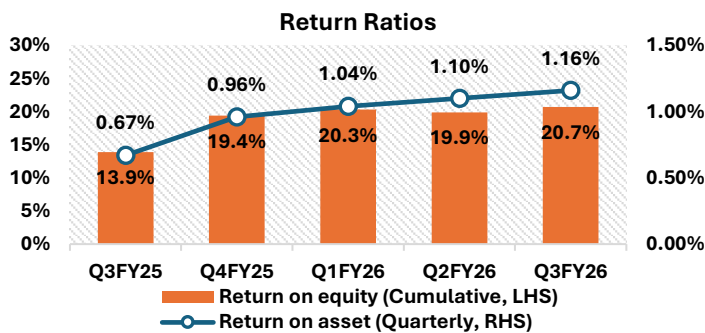
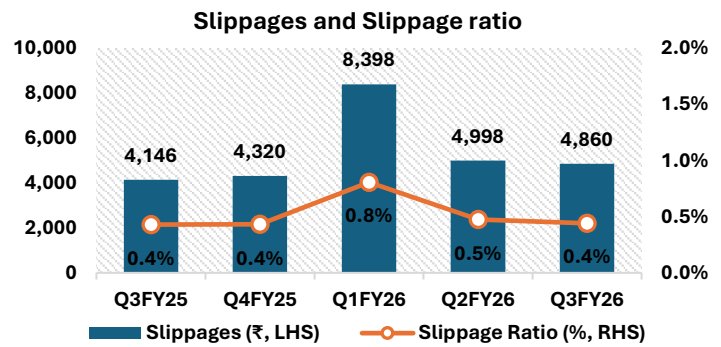
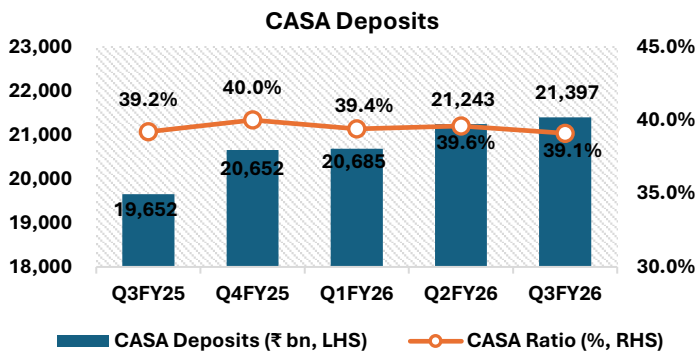
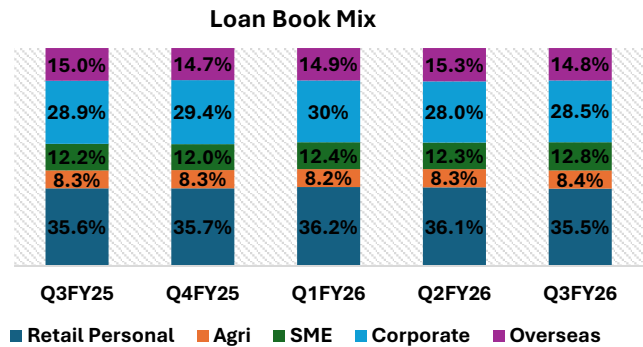
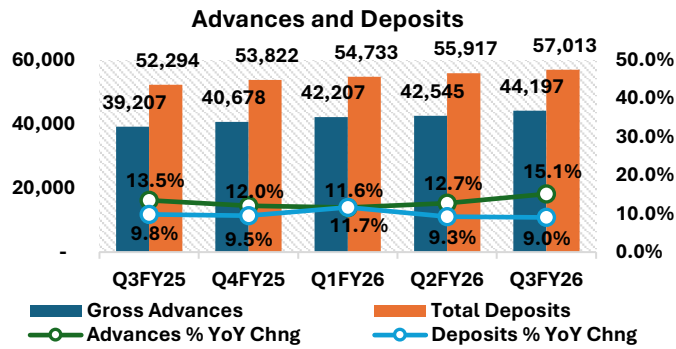
Source: Company, Way2Wealth Research

Asset Quality - GNPA & NNPA 0.13% at 20-year Lows | Q3FY24 - Q3FY26



Retail and SME together now constitute ~54.9% of the loan book (vs. ~40.2% in FY22) – a structural shift toward higher-yield, granular credit that supports NIM and reduces lumpy corporate credit risk.

Story in Charts



Source: Company, Way2Wealth Research

Bank of Maharashtra
Stewarding strong financial growth

Q4FY26 Performance

Bank of Maharashtra is India's best-performing PSU bank by return on assets (1.86%) and has delivered 21 consecutive quarters of net profit growth. Despite this strong performance, the stock trades at just ~1.8x book value — a fraction of comparable private banks. With GNPA at an all-time low of 1.45%, RoE at 23%+, management guidance for 18% loan growth and 1.80% RoA in FY27.

Q4FY26 PAT of ₹2,014cr (+35% YoY) is the highest-ever quarterly profit. GNPA at 1.45% and NNPA at 0.13% are at historic lows. CASA ratio surged to 52.51% in Q4FY26 from 49.54% in Q3FY26 — a 297-bps sequential improvement, reflecting year-end deposit mobilization. This is near the FY25 level of 53.28% and among the highest CASA ratios in the PSU banking sector.

FY26 PAT ₹7,019cr (+27.2%) | NII ₹13,664cr (+17.1%) | Advances ₹2.92 lakh cr (+21.7%) | GNPA 1.45% | RoA 1.86% | RoE 23.19% | CRAR 18.36% | 21 consecutive quarters of profit growth.

Metric	Q4FY25	Q3FY26	Q4FY26	YoY Δ	QoQ Δ
Net Profit (₹ cr)	1,493	1,779	2,014	+34.9%	+13.2%
NII (₹ cr)	3,116	3,422	3,702	+18.8%	+8.2%
NIM (%)	3.91%	3.87%	3.95%	+4 bps	+8 bps
Op. Profit (₹ cr)	2,529	2,736	2,946	+16.5%	+7.7%
GNPA (%)	1.74%	1.60%	1.45%	-29 bps	-15 bps
NNPA (%)	0.18%	0.15%	0.13%	-5 bps	-2 bps
CASA Ratio (%)	53.28%	49.54%	52.51%	-77 bps	+297 bps
RoA (%)	1.75%	1.84%	1.97%	+22 bps	+13 bps
RoE (%)	22.1%	23.3%	26.6%	+450 bps	+330 bps
C/D Ratio (%)	78.0%	80.5%	83.3%	+530 bps	+280 bps

Source: Company, Way2Wealth Research

Important Data

Nifty	24,330.95
Sensex	77,958.52
CMP (₹)*	83.63
MCAP (₹ bn)	643.50
52-week H/L (₹)	82.2/47.1
BSE Code	532525
NSE Code	MAHABANK
Bloomberg Code	BOMH IN Equity

*CMP is Close price as on 6th May 2026

Shareholding Pattern (%)	Sept'25	Dec'25	Mar'26
Promoters	79.6	73.6	73.6
FII	2.35	4.92	5.55
DII	10.06	13.5	13.93
Public	8.0	7.97	6.93

Financials

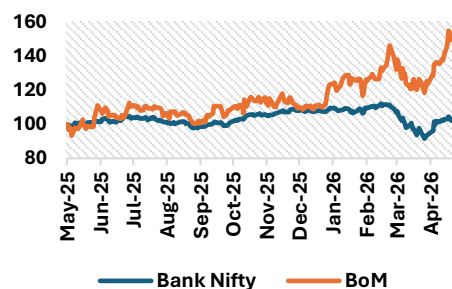
Particulars	FY26	FY27E	FY28E
NII	137	162	189
PAT	70	78	92
EPS (₹)	9	10	12
BV/Sh (₹)	40	49	58
ABV/Sh (₹)	39	48	58
C/I ratio %	37.1	36.3	36.3
RoA %	1.8	1.7	1.8
RoE %	22.8	21.3	21.1
P/E	8.3	7.5	6.3
P/BV	1.9	1.5	1.3
P/ABV	1.9	1.6	1.3

Source: Company, Way2Wealth Research

Investment Thesis

- **India's Best-Performing PSU Bank — Proven Transformation:** BOM's GNPA declined from 16.4% (FY20) to 1.45% (FY26) — the most dramatic credit culture transformation in PSU banking history. RoA expanded from 0.2% to 1.86% in the same period. This is not a lucky year — it is a structural change validated over 21 consecutive quarters of profit growth.
- **FY27 Guidance Designed to Be Beaten: Management's FY27 targets** (NIM 3.75%, RoA 1.80%, advances +18%) are materially below FY26 actual delivery (NIM 3.91%, RoA 1.86%, advances +21.74%). Given the bank's track record of conservative guidance and consistent outperformance, FY27 earnings estimates are likely to be revised upward during the year — a positive catalyst for re-rating.
- **CASA Moat at 52.51% — Structural Funding Cost Advantage:** With a CASA ratio of 52.51% — among the highest in the PSU banking sector — BOM's cost of funds at 4.15% is structurally lower than peers. In a competitive deposit environment, this provides a permanent NIM advantage that compounds over time and supports margin resilience through interest rate cycles.
- **Best Asset Quality in PSU Banking — Zero NPA Surprise Risk:** GNPA 1.45%, NNPA 0.13%, PCR 98.59%, SMA improving — the combination leaves virtually no room for negative NPA surprises. Credit costs are expected at 0.7–1.0% in FY27, well below historical norms for PSU banks. The ₹200cr geopolitical provision buffer adds additional cushion.
- **MPS Compliance — Government Stake Reduction Overhang Resolved:** Following the October 2024 QIP (₹3,500cr), the government's stake in the bank declined below 75%, making BOM MPS (Minimum Public Shareholding) compliant for the first time. The overhang of mandatory government stake dilution — which had suppressed the stock — has now been resolved. The improved free float (now ~25.7%) is attracting FII and index-tracking institutional investors.

One year comparison chart



Outlook

The highest-performing PSU bank in India currently trades at just ~1.8x book value — the same multiple as SBI despite delivering 70 bps higher RoA and 420 bps higher RoE. This multiple gap is likely to close as FY27 results confirm the sustainability of BOM's outperformance over SBI and other PSU peers.

Catalysts in the next 12 months include: (a) Q1FY27 results likely to beat conservative guidance; (b) capital raise completion removing CRAR uncertainty; (c) FII/MF holdings continuing to rise as liquidity improves post QIP; (d) potential sovereign rating upgrade for India improving PSU bank multiples broadly; (e) YONO-equivalent digital scale from Zen Lyfe app as it crosses 5+ million users.

Cost-to-Income ratio of 37.08% for FY26 is exceptional — well below the PSU bank average of 45–50% and competitive with the best private banks. BOM has been guided to maintain this below 40% in FY27.

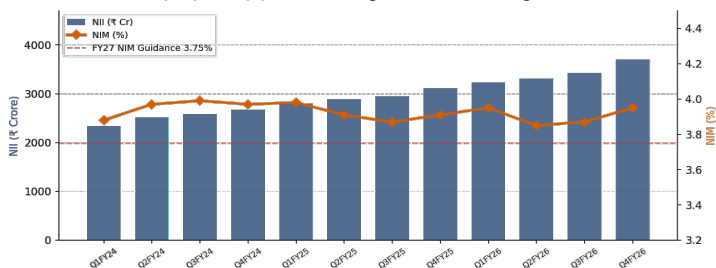
The stock is currently trading at 1.8x FY26 P/ABV, we recommend BUYING for the target of 1.7x FY28E P/ABV, implying approximately 28% upside.

Forward 12M P/B Ratio



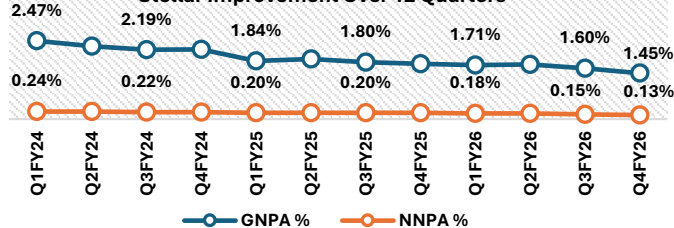
Source: Bloomberg

NII (₹ Cr) & NIM (%) — Resilient Margins Above 3.85% Throughout FY26



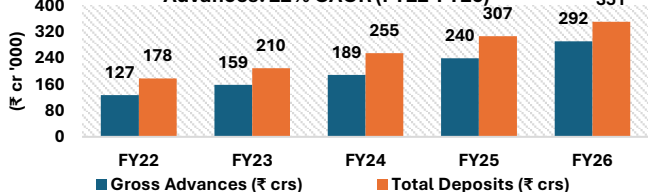
Full-year FY26 NIM of 3.91% significantly exceeded management's own guidance of 3.75% at the start of the year. This pattern of conservative guidance and outperformance is a hallmark of the current management team.

Asset Quality - GNPA 1.45% & NNPA 0.13% | Stellar Improvement Over 12 Quarters



SMA-1 and SMA-2 (early warning indicators) improved by 61 basis points during FY26 — confirming the forward-looking asset quality trend is positive and that no significant NPA deterioration is on the horizon.

Gross Advances vs Total Deposits Growth (Annual) - Advances: 22% CAGR (FY22-FY26)

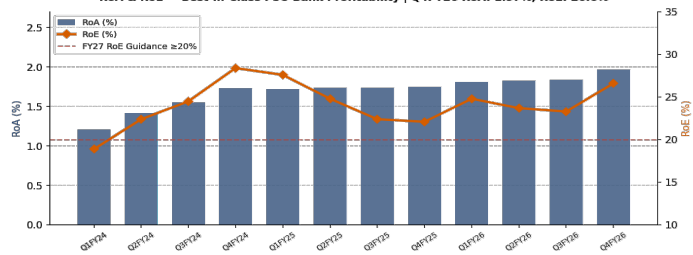


Gross advances grew 21.74% YoY to ₹2.92 lakh cr in FY26 — well ahead of management's 17% guidance and approximately 7–8 percentage points above system credit growth. This consistent outperformance validates the franchise's competitive edge in Tier 2/3 markets.

RAM (Retail, Agriculture, MSME) advances grew 20.74% YoY and constituted 63% of the loan portfolio — the strategic target. Retail advances surged 32.39% YoY to ₹85,857cr, driven by home loans, vehicle loans, and gold loans.

Source: Company, Way2Wealth Research

RoA & RoE — Best-in-Class PSU Bank Profitability | Q4FY26 RoA: 1.97%, RoE: 26.6%

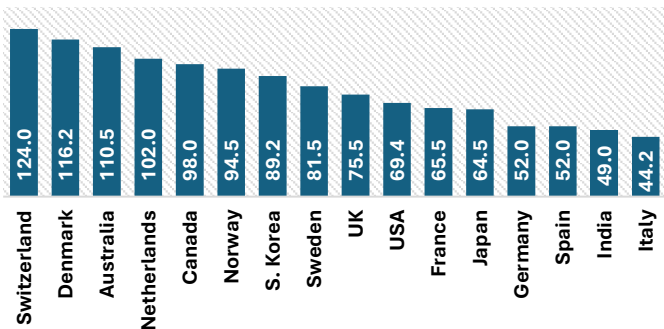


RoA of 1.86% for FY26 (1.97% in Q4FY26) is the highest among all PSU banks. SBI delivered 1.10%, PNB ~0.80%, and Bank of Baroda ~0.90% — BOM leads by a substantial margin.

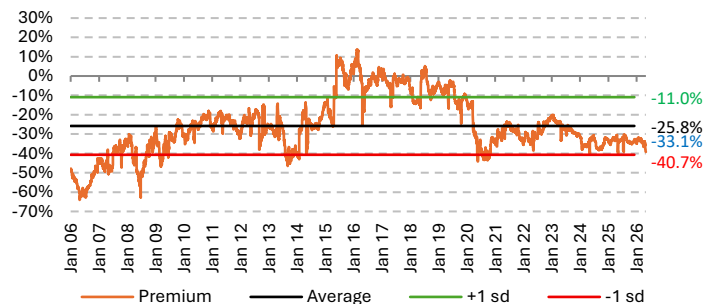
RoE of 23.19% for FY26 (26.61% in Q4FY26) is among the highest in the Indian banking sector — private or public. This is driven by BOM's high NIM (3.91%), ultra-low credit costs (~0.70%), and strong operating leverage.

Exhibit Charts

Household Credit to GDP Ratio 2026

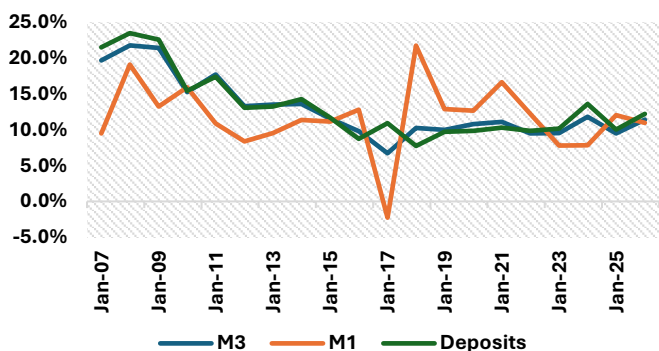


Bank-Nifty P/B discount to Nifty

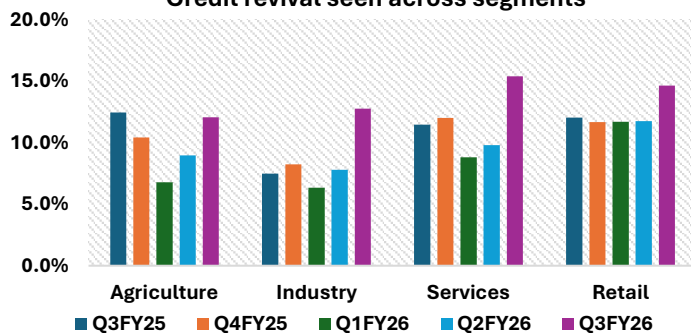


India's Household credit to GDP ratio is lowest among developed countries, implies room for growth.

Bank Nifty p/b discount to Nifty is trading near 1-std dev of last 20 years average, which is a support since GFC.

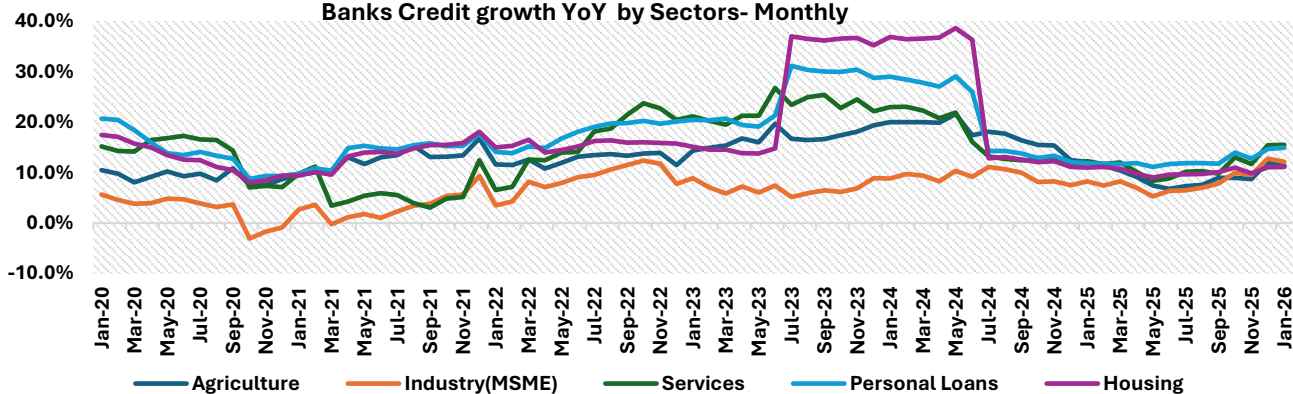


Credit revival seen across segments

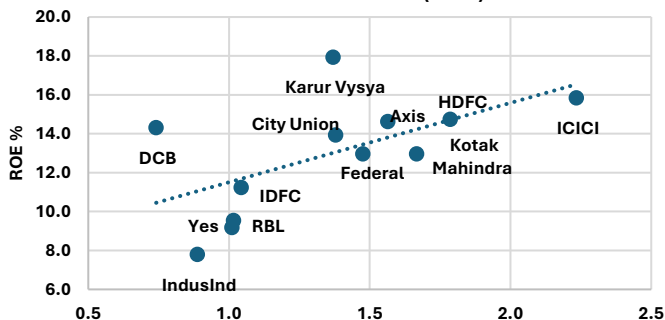


FY26 witnessed marginal increase in deposits, broad money (M3) and narrow money (M1) flat.

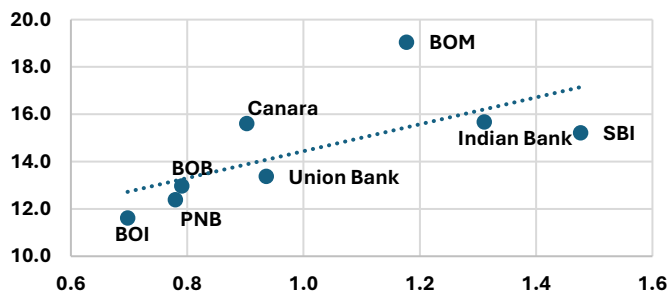
Banks Credit growth YoY by Sectors- Monthly



Private Bank ROE Vs P/B (FY28)



PSU Bank ROE Vs P/B (FY28)



Source: Company, Way2Wealth Research

Interest Rates (%) for Fixed Deposits up to ₹1 Crore

Bank	6 Months to <1 Year	1 to <2 Years	2 to <3 Years	3 to <5 Years	5 Years and Above
DCB Bank	6.00-6.50	6.90-7.00	6.90-7.25	7.00-7.10	7.00-7.25
YES Bank	4.75-6.50	6.65-7.00	6.90-7.00	7.00	6.75
RBL Bank	4.75-6.05	7.00-7.20	7.20	7.00-7.20	6.70
Tamilnad Mercantile Bank	6.30-6.50	6.60-7.25	7.00	6.70	6.70
Jammu & Kashmir Bank	5.10-6.00	6.70-6.75	6.75-7.25	6.65	6.60
IndusInd Bank	5.00-6.50	6.50-7.25	7.25	7.15-7.25	6.50-7.15
Dhanlaxmi Bank	5.25	6.25-6.95	6.25-6.50	6.50-7.00	6.50-6.60
ICICI Bank	4.50-5.50	6.25-6.30	6.30-6.45	6.45-6.50	6.50
Axis Bank	5.50-5.75	6.25-6.45	6.45	6.45	6.45
Federal Bank	4.50-6.00	6.25-6.70	6.40	6.40-6.75	6.40
Karur Vysya Bank	6.00-6.65	6.55-7.20	6.55	6.55	6.25-6.55
Kotak Mahindra Bank	5.25-6.00	6.50-6.70	6.80	6.40	6.25
Canara Bank	5.25-5.50	6.25-6.60	6.25	6.25	6.25
City Union Bank	5.75-6.25	6.50-7.00	6.50	6.25-6.50	6.25
HDFC Bank	4.25-5.75	6.25-6.45	6.45	6.40-6.50	6.15-6.40
Indian Overseas Bank	4.75-5.50	6.40-6.60	6.40	6.10	6.10

Source: www.Bankbazaar.com as on 4th May 2026.

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Disclosure of Interest Statement: Thematic Report – Banking Sector as on 7th May 2026

Name of the Security	Banking Sector (ICICI Bank, HDFC Bank, Karur Vysya Bank, State Bank of India, Bank of Maharashtra)
Name of the analyst	Ashwini Sonawane
Analysts’ ownership of any stock related to the information contained	
Financial Interest	
Analyst :	Yes (HDFC Bank: 15 shares bought on 20 th Mar 2026)
Analyst’s Relative : Yes / No	No
Analyst’s Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

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