MIRAE ASSET Sharekhan

Banking

Loan growth holds firm, margins ease

SECTOR UPDATE

Q1FY2027 Results Review

SECTOR

Banking

SECTOR VIEW

Positive

Coverage universe

Companies	CMP (Rs)	Reco./ View	PT (Rs)
Large Private Banks			
HDFC Bank	727	Buy	950
ICICI Bank	1,418	Buy	1,750
Axis Bank	1,217	Buy	1,550
Mid-Tier Private Banks			
Kotak Mahindra Bank	393	Buy	500
Federal Bank	353	Hold	365
Small Private Banks			
AU SFB	1,088	BUY	1,225
CUBK	209	BUY	275
PSBs			
SBI	1,068	Buy	1,265
BOB	248	Buy	320
PNB	118	Buy	130
BOI	144	Buy	175

Source: Company; Mirae Asset Sharekhan Research

PRICE CHART

Source: NSE, BSE, Mirae Asset Sharekhan Research

RESEARCH ANALYST

Sameer Suhas Sawant

Quick Snapshot

- Advances for our coverage universe grew 17.7% YoY and 2.6% QoQ, PSU banks (up 18.0% YoY) outpaced private banks (up 17.4%), however sequentially private banks fared better on growth front. Deposit growth of 12.4% YoY and 1.2% QoQ lagged advances growth, keeping incremental CD ratio elevated.
- NII for coverage rose 11.0% YoY and 3.3% QoQ, led by PSU banks (up 11.8% YoY), NIMs were under pressure on QoQ basis owing to sticky deposit costs and a higher mix of relatively lower-yielding corporate book growth.
- C/I ratio for coverage improved ~300 bps QoQ to 44.4% (though up ~100 bps YoY) aided by controlled opex, while PPoP fell marginally by 0.2% YoY.
- Credit cost remained benign with provisions down 31.8% YoY. Asset quality stayed stable with GNPA at 1.57% (down 2 bps QoQ) and NNPA steady at 0.39%. Combined PAT for coverage grew a healthy 12.7% YoY, though it dipped 2.3% QoQ, weighed down largely by an exceptional item at Bank of Baroda. Adjusted for the same overall PAT growth for coverage universe would have been 18.8% YoY.
- **Preferred Picks** – ICICI Bank, SBI and City Union Bank.

Loan growth healthy: Advances for our coverage universe grew 17.7% YoY and 2.6% QoQ, while systemic credit growth stood at 18.6% per the latest RBI data. PSU banks' loan book rose 18.0% YoY, edging ahead of private banks' growth of 17.4% , however on QoQ basis private banks saw loans up by 3.6% versus 2.6% for PSUs. Wholesale loans (Industry + Services) grew 20.5% YoY and were the key drivers for incremental loan growth. Among individual names, ICICI Bank (+19.6%), Axis Bank (+19.0%), SBI (+19.0%) and Bank of India (+19.7%) led growth among larger banks, while AU SFB (+26.2%) and City Union Bank (+26.1%) posted the sharpest gains among smaller private banks. Deposit growth, however, continued to lag at 12.4% YoY and 1.2% QoQ – trailing advances growth, with PSU banks' deposit growth of 10.6% YoY notably softer than private banks' 15.0%.

Margin performance mixed bag: NII for our coverage rose 11.0% YoY and 3.3% QoQ, with PSU banks' NII growth of 11.8% YoY outpacing private banks' 10.2%. Margins saw sequential pressure across the board on account of sticky deposit costs and a relatively higher share of lower-yielding corporate book growth within the overall loan mix. Federal Bank (+26.1%), AU SFB (+31.8%) and City Union Bank (+31.2%) posted the strongest NII growth YoY, while PNB's was comparatively muted at 2.1%. Sequentially, NII momentum was strongest at SBI (+5.9%) and ICICI Bank (+6.1%). Non-interest income was flattish weighed by lower treasury gains, more pronounced at PSU banks, as a result net total income was up modestly by 1.6% YoY.

Costs under control: Opex growth remained moderate at 4.1% YoY for coverage and contracted ~4.5% QoQ, helping the C/I ratio for coverage improve ~300 bps sequentially to 44.4%. PPoP for coverage was broadly flat, down 0.2% YoY – partly on account of a high base at HDFC Bank (PPoP down 21.2% YoY), Adjusted for that, PPoP would have been up by 5.7% YoY. PSU banks' PPoP grew a strong 8.7%, in contrast to a 6.2% YoY decline for private banks in aggregate. Credit cost remained benign as overall asset quality remained stable. Asset quality for coverage remained healthy, with GNPA improving to 1.57% from 1.59% QoQ, while NNPA held steady at 0.39%. Barring Agri, which saw a seasonal uptick in slippages, asset quality trends were stable across segments, including unsecured retail. Provisions for coverage universe declined 31.8% YoY, aided by steady recoveries and controlled slippages, even as they rose 36.2% QoQ partly due to seasonal effect and one off. As a result PAT growth was respectable at 12.7% for our coverage universe and adjusted for one-offs in Bank of Baroda, PAT growth would have been healthy at 18.8% YoY.

Our View

Banks delivered a steady Q1FY27, with combined PAT for coverage up 12.7% YoY (Adj. PAT up 18.8% YoY). Private bank PAT growth (13.6% YoY) was slightly ahead of PSU banks (11.2% YoY). Loan growth remained healthy, while deposit mobilisation continued to lag, keeping funding costs and the CD ratio in focus. Going ahead, NIMs to remain rangebound in most cases with impact of RBI rate cut on yields mostly behind us and easing liquidity and FCNR deposits flow to aid funding costs. Banks are expected to post stable earnings during this fiscal aided by better top-line growth and controlled costs. On asset quality front we remain watchful even though impact of West-Asia crisis has not been visible yet.

Top Preferred Picks: ICICI Bank, SBI and City Union Bank

Q1FY27 Result snapshot (Standalone) Rs cr

Particulars	NII (Rs. cr)					PPoP (Rs. cr)					PAT (Rs. Cr)				
	Q1 FY27	Q1 FY26	Q4 FY26	Y-o-Y (%)	Q-o-Q (%)	Q1 FY27	Q1 FY26	Q4 FY26	Y-o-Y (%)	Q-o-Q (%)	Q1 FY27	Q1 FY26	Q4 FY26	Y-o-Y (%)	Q-o-Q (%)
Large Private Banks															
HDFC Bank	33,534	31,438	33,082	6.7	1.4	28,168	35,734	27,803	-21.2	1.3	19,060	18,155	19,221	5.0	-0.8
ICICI Bank	24,384	21,634	22,979	12.7	6.1	20,386	18,746	18,199	8.7	12.0	14,805	12,768	13,702	15.9	8.0
Axis Bank	14,646	13,560	14,457	8.0	1.3	11,659	11,515	10,013	1.3	16.4	7,114	5,806	7,071	22.5	0.6
Mid-Tier Private Banks															
Kotak Mahindra Bank	7,928	7,259	7,875	9.2	0.7	6,131	5,564	5,855	10.2	4.7	4,123	3,282	4,027	25.6	2.4
Federal Bank	2,946	2,337	3,173	26.1	-7.1	1,897	1,556	2,276	21.9	-16.7	1,177	862	1,259	36.6	-6.5
Small Private Banks															
AU SFB	2,695	2,045	2,582	31.8	4.4	1,435	1,312	1,352	9.4	6.2	796	581	832	37.0	-4.3
CUBK	820	625	786	31.2	4.4	581	451	580	28.8	0.2	383	306	360	25.1	6.4
PSBs															
SBI	46,992	40,907	44,380	14.9	5.9	33,529	30,544	27,704	9.8	21.0	21,121	19,160	19,684	10.2	7.3
BOB	12,525	11,435	12,494	9.5	0.3	8,127	8,236	9,069	-1.3	-10.4	1,278	4,541	5,616	-71.9	-77.2
PNB	10,798	10,578	10,380	2.1	4.0	7,519	7,081	7,500	6.2	0.3	5,253	1,675	5,225	213.6	0.5
BOI	6,833	6,068	6,730	12.6	1.5	5,051	4,009	5,026	26.0	0.5	3,068	2,252	3,016	36.2	1.7
PVT Total	**86,954**	**78,898**	**84,934**	**10.2**	**2.4**	**70,258**	**74,878**	**66,078**	**-6.2**	**6.3**	**47,457**	**41,760**	**46,471**	**13.6**	**2.1**
PSU Total	**77,148**	**68,988**	**73,984**	**11.8**	**4.3**	**54,227**	**49,872**	**49,300**	**8.7**	**10.0**	**30,721**	**27,629**	**33,540**	**11.2**	**-8.4**
Banking Total	**1,64,103**	**1,47,886**	**1,58,918**	**11.0**	**3.3**	**1,24,485**	**1,24,750**	**1,15,378**	**-0.2**	**7.9**	**78,177**	**69,389**	**80,011**	**12.7**	**-2.3**

Source: Company; Mirae Asset Sharekhan Research

Valuations Rs cr

Particulars	Reco.	CMP (Rs.)	TP (Rs.)	RoA (%)		RoE (%)		P/E (x)		P/B (x)	
				FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Large Private Banks											
HDFC Bank	Buy	727	950	1.8	1.9	14.0	14.5	11.2	9.7	1.5	1.3
ICICI Bank	Buy	1,418	1,750	2.3	2.4	16.2	16.7	14.3	12.0	2.1	1.9
Axis Bank	Buy	1,217	1,550	1.5	1.6	13.6	14.5	11.0	9.1	1.4	1.2
Mid-Tier Private Banks											
Kotak Mahindra Bank	Buy	393	500	2.0	2.0	11.6	12.2	14.3	12.2	1.6	1.4
Federal Bank	Hold	353	365	1.2	1.3	11.9	12.7	17.6	15.5	2.0	1.8
Small Private Banks											
AU SFB	BUY	1,088	1,225	1.6	1.7	16.1	17.4	23.3	18.2	3.6	3.0
CUBK	BUY	209	275	1.5	1.5	14.0	14.8	16.1	13.6	1.8	1.6
PSBs											
SBI	Buy	1,068	1,265	1.1	1.2	15.5	15.5	8.5	7.4	1.2	1.1
BOB	Buy	248	320	0.8	1.1	10.7	14.8	7.5	4.9	0.8	0.7
PNB	Buy	118	130	0.9	0.9	13.0	13.1	8.2	7.0	0.9	0.8
BOI	Buy	144	175	1.0	1.0	13.2	13.8	6.9	6.0	0.7	0.6

Source: Company; Mirae Asset Sharekhan Research

SOMIL RAMESH MEHTA
Digitally signed by SOMIL RAMESH MEHTA
Date: 2026.08.17 14:49:34 +05'30'

DISCLAIMER

This research report ("Report") has been issued by Sharekhan Limited ("**Mirae Asset Sharekhan**"), and is intended for use only by the person or entity to which it is addressed to. This Report may contain confidential and/or privileged material and is not for any type of circulation, and any review, retransmission, or any other use is strictly prohibited unless specifically permitted by Mirae Asset Sharekhan. This Report is subject to change without prior notice.

Recommendation in reports is based on technical and derivatives analysis and based on studying charts of a stock's price movement, trading volume, and outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply to information/ documents focused on technical and derivatives research and shall not apply to reports/ documents/ information focused on fundamental research.

This Report does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same without discrimination, not all customers may receive this report at the same time. Mirae Asset Sharekhan will not treat recipients as customers only by virtue of their receiving this Report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable, and Mirae Asset Sharekhan has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavor to update the information herein on a reasonable basis, Mirae Asset Sharekhan, its subsidiaries and associated companies, their directors, and employees ("**Affiliates**") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent Mirae Asset Sharekhan and its affiliates from doing so. This Report is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this Report should also be aware that past performance is not necessarily a guide to future performance, and the value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this Report should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this Report (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of, and/ or other individual analysts employed by Mirae Asset Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this Report. The reports may reflect different assumptions, views and analytical methods of the analysts who prepared them. Mirae Asset Sharekhan may make investment or other decisions that are inconsistent with the opinions and views expressed in this Report. The views and opinions expressed in this Report may vary from or contradict with the report, views, estimates, rating, and target price if any provided/ issued by entity(ies) within or outside the group or other team(s) within Mirae Asset Sharekhan basis various factors including but not limited to rating criteria, valuation methodologies, assumptions, accounting methodologies, etc.

This Report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Mirae Asset Sharekhan and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restrictions.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in the securities of the company and that all the views expressed in this Report accurately reflect his or her personal views about the subject company or companies and its or their securities. The analyst and Mirae Asset Sharekhan further certifies that either he or his relatives or Mirae Asset Sharekhan or their associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the Report. The analyst and Mirae Asset Sharekhan encourage independence in research report/ material preparation and strive to minimize conflict in the preparation of the research report. The analyst and Mirae Asset Sharekhan and their associates have not served as officers, directors or employees of the subject company. The analyst and Mirae Asset Sharekhan or its associates may have managed or co-managed the public offerings of the company. Mirae Asset Sharekhan, or its associates, or analysts may have received compensation for investment banking, merchant banking, brokerage services or received compensation for products or services other than investment banking, merchant banking or brokerage services from the subject company or from a third party in the past twelve months in connection with the Report, or received any other compensation or benefits from the subject company or other third party in connection with this Report. Mirae Asset Sharekhan or its associates have not been debarred/ suspended by the Securities and Exchange Board of India ("**SEBI**") or any other regulatory authority for accessing/ dealing in securities market. Mirae Asset Sharekhan or its associates or research analyst or his/her relatives may have financial interest or any other material conflict of interest in the subject company of this research report at the time of publication of the research report or at the time of public appearance. Further, please note that Mirae Asset Sharekhan or its research analysts or their associate(s) have not used artificial intelligence tools in providing research services.

Either Mirae Asset Sharekhan or its Affiliates or its directors or employees/representatives/clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities of the subject company or related securities referred to in this Report and they may have used the information set forth herein before publication. Mirae Asset Sharekhan may from time to time solicit from, or perform investment banking or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall Mirae Asset Sharekhan, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance, and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Mirae Asset Sharekhan and its Affiliates undertake no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, except as required by applicable securities laws. The reader/ investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgment before taking any investment decision.

Investment in securities market is subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Mirae Asset Sharekhan has been ranked as India's No.1 Retail Broker by Asia money Brokers Poll 2023. For more details, visit bit.ly/AsiamoneyPoll

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges on www.sharekhan.com

Most Important Terms and Conditions (MITC) for MASK research services can be viewed on Sharekhan website under

https://www.sharekhan.com/MediaGalary/Common/MITC_Sharekhan.pdf

Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address: Gigaplex IT Park, Unit No 1001, 10th Floor, Building No. 9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Krunal Rahangadale; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

For any complaints/ grievances, email us at igc@sharekhan.com, or you may even call the Customer Service desk on 022-41523200 / 022-61151111.