



BANKING SECTOR REPORT

Q4FY25 RESULT REVIEW

INSTITUTIONAL RESEARCH

Banking Q4FY25 - Review



Sector: Bank

29th May, 2025

Banking : Asset quality healthy; NIMs to remain under pressure

Summary

- Bank credit growth moderated sharply to 11.5% in FY25, nearly halving from the robust 16.4% expansion recorded in FY24.
- Banks delivered solid profits, aided by healthy fee income and improved operating efficiency. Cost-to-income ratios were well managed, and return on assets (ROA) and return on equity (ROE) remained strong for leading banks.
- Banks reported better asset quality, with gross and net NPA ratios declining across the sector.
- Net interest margins remained broadly stable for large banks but showed early signs of compression, especially for mid-sized banks, due to rising funding costs and the impact of recent rate cuts.

Private Banks

Private banks reported mixed results for Q4FY25. While a few large private banks posted strong earnings, mid-sized banks showed moderate improvement, supported by healthy growth in net interest income and fee income. Margins for large private banks saw some improvement, aided by a favorable day count in February; however, the recent 50 bps rate cut has resulted in margin compression for many mid-sized banks. Credit growth remained stable, primarily driven by steady performance in the retail segment. Deposit growth was consistent, with strong increases in both current and term deposits. Current account balances improved due to seasonally high activity, keeping CASA ratios largely stable on a sequential basis. Large private banks have maintained their CASA ratios, and there is a continued focus on deposit granularity across the segment. The cost-to-income ratio hovered around 50% for most banks, with IndusInd Bank as a notable exception. Looking ahead, most banks expect earnings growth to bottom out in the first half of FY26, with credit costs likely to improve as stress in unsecured lending subsides. However, we remain cautious on net interest margins given the deeper-than-expected rate cycle shift.

Preferred in Private Banks : HDFC Bank, ICICI Bank & Federal Bank.

Public Banks

Public sector banks reported moderate results for Q4FY25. Net interest income and overall income showed steady growth during the quarter. Among the large PSUs, SBI delivered stable results, while several mid-sized PSUs experienced some compression in net interest margins. Asset quality remained broadly stable across the PSU segment, with NPA ratios continuing their downward trend. However, provisions were elevated this quarter, though we expect these to moderate as the stress from unsecured lending subsides. In terms of credit growth, PSUs kept pace with the industry, and deposit growth remained steady, supported by a broadly stable CASA ratio. Banks are also focusing on increasing the granularity of their deposit base. Looking ahead, we expect earnings to bottom out in the first half of FY26, with NIM trends in Q1FY26 being a key metric to watch.

Preferred in Public Banks : SBI, Indian Bank and Union Bank.

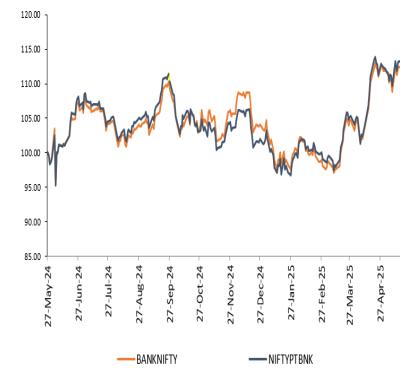
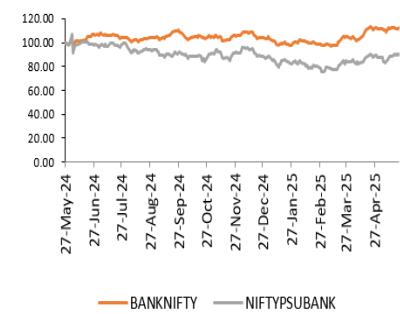
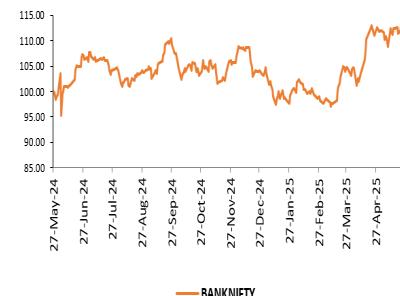
Our View

In Q4FY25, banks delivered mixed results across key metrics. Credit growth for the year moderated, largely due to stress in unsecured segments, especially in microfinance, which weighed on overall loan expansion. While NPA ratios stabilized and banks maintained healthy liquidity coverage, credit costs rose significantly compared to FY24, reflecting a more cautious lending environment and elevated provisioning. Despite these headwinds, banks reported robust profits for FY25, supported by strong fee income and favourable cost to income ratio. Looking ahead to FY26, we anticipate further compression in net interest margins as the April 2025 repo rate cut is likely to squeeze profitability, with loan rates adjusting faster than deposit rates. Furthermore, we expect another 50 bps rate cut in FY26, which could additionally compress NIMs. Additionally, slippages from unsecured retail and SME loans could increase, requiring vigilant risk management. Though margins and fee income growth will likely slow, though corporate credit recovery may provide offsets. Competition from alternative investment options may also impact deposit mobilization and funding costs, making it crucial for banks to focus on balance sheet strength and prudent lending practices in the coming year.

Q4FY25 : Result Review

Sector	Banking
Sector View	Positive

Price Chart



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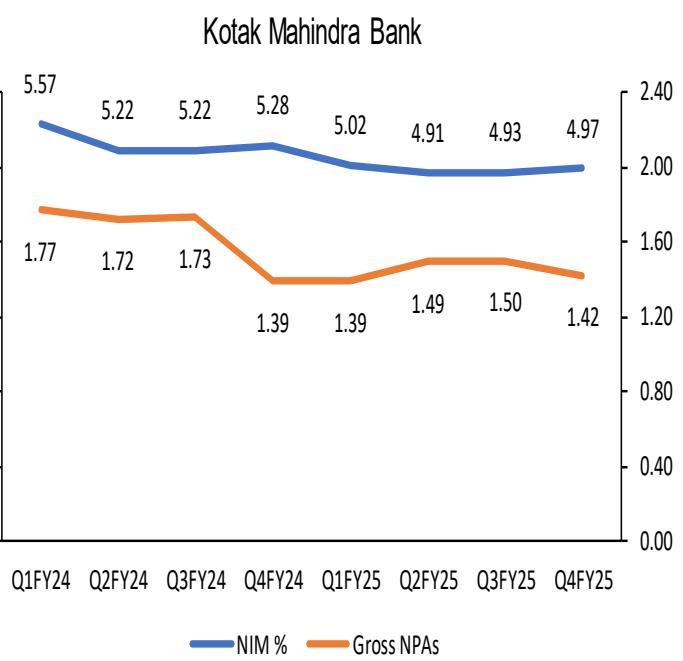
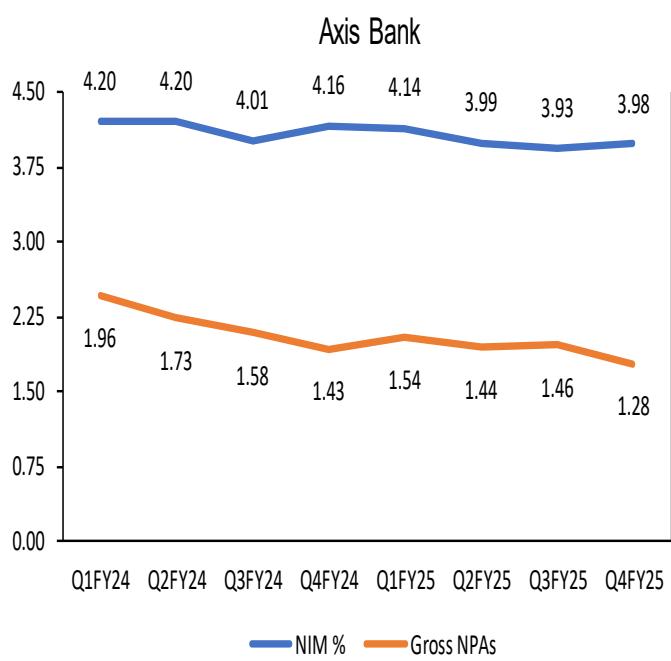
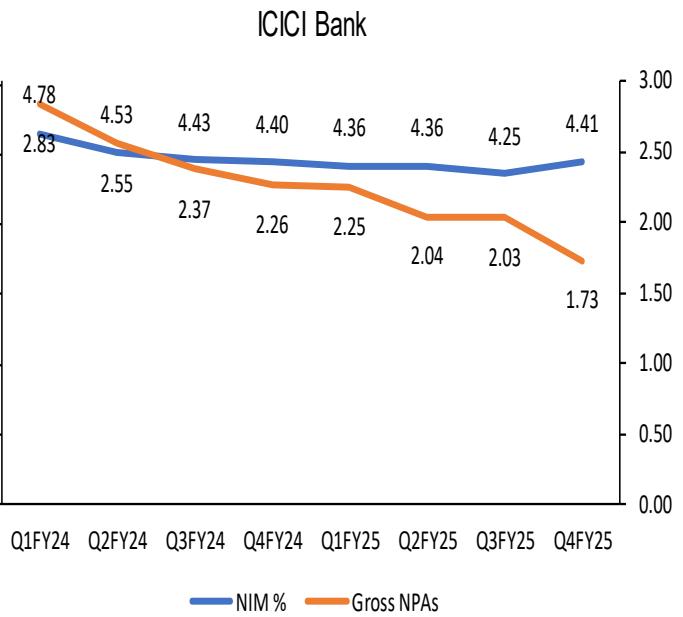
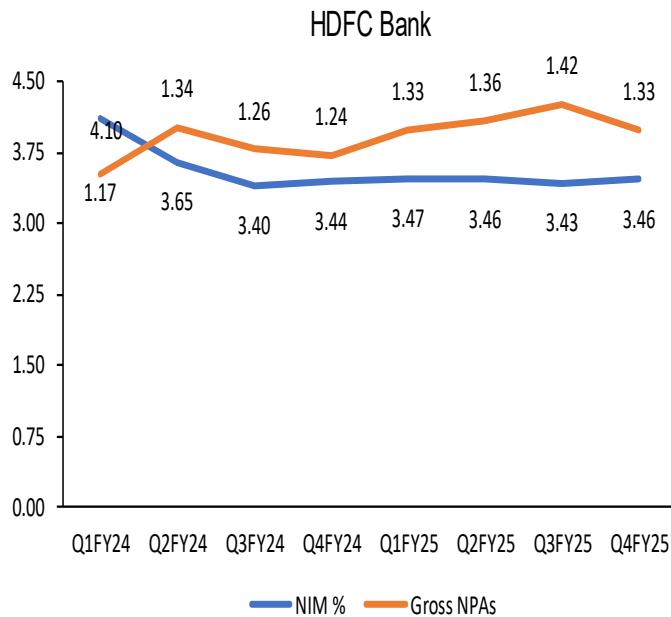
Banking Review - Q4FY25

Company wise Key Highlights (Rs. In Crores) - Large Private Banks

HDFC Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	32,066	30,653	29,077	5%	10%	HDFC Bank's deposits have grown at a faster pace than the overall banking system and have outpaced the bank's own loan growth.
PPOP	26,537	25,000	29,274	6%	-9%	
PAT	17,616	16,736	16,512	5%	7%	NIM has operated in a narrow band of 3.4% to 3.5%. Cost of funds has also been stable at 4.9%.
NIM	3.46%	3.43%	3.44%	3bps	2bps	
GNPA	1.33%	1.42%	1.24%	-9bps	9bps	Asset quality remains broadly stable.
ICICI Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	21,193	20,371	19,093	4%	11%	ICICI Bank continues to deliver strong operational performance characterised by steady net interest income and lower operating expenses.
PPOP	17,664	16,887	15,039	5%	17%	
PAT	12,630	11,792	10,708	7%	18%	
NIM	4.41%	4.25%	4.40%	16bps	1bps	Loan growth has been robust, particularly in the retail and SME segments, and deposit mobilisation continues at a strong pace.
GNPA	1.67%	1.96%	2.16%	-29bps	-49bps	
Axis Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	13,811	13,606	13,089	2%	6%	
PPOP	10,752	10,534	10,536	2%	2%	Axis Bank delivered a stable performance in Q4FY25, supported by resilient margins and improved asset quality.
PAT	7,118	6,304	7,130	13%	0%	
NIM	3.98%	3.93%	4.16%	5bps	-18bps	Advances growth of 7.85% is the lowest in 16 quarters (QOQ at 2.6%; weakness seen in housing & auto segment).
GNPA	1.28%	1.46%	1.43%	-18bps	-15bps	
Kotak Mahindra Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	7,284	7,196	6,909	1%	5%	
PPOP	5,472	5,181	5,462	6%	0%	KMB loan growth remained strong and exceeded industry averages, profitability came under pressure due to provisions, as indicated by a sequential decline in net profit.
PAT	3,552	3,305	4,133	7%	-14%	
NIM	4.97%	4.93%	5.28%	4bps	-31bps	Asset quality appears to have stabilized, although provisions increased during the quarter.
GNPA	1.42%	1.50%	1.39%	-8bps	3bps	

Banking Review - Q4FY25

Story in charts - Large Private Banks



Banking Review - Q4FY25

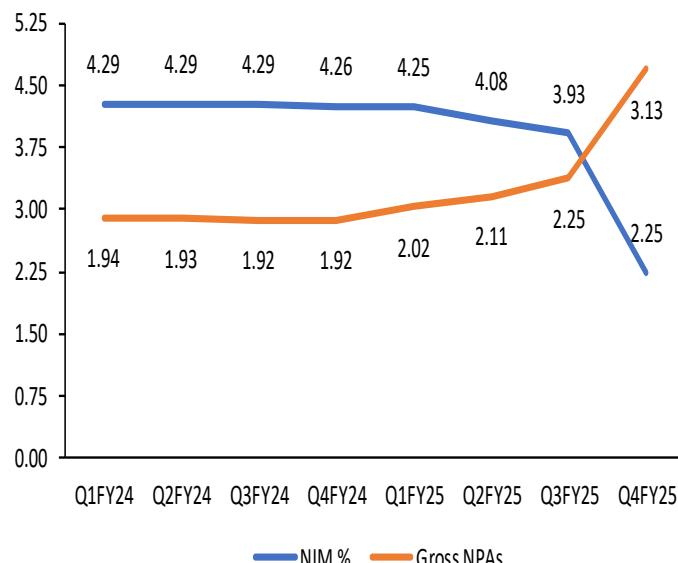
Company wise Key Highlights (Rs. In Crores) - Mid-tier Private Banks

Indus	Ind Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII		3,048	5,228	5,376	-42%	-43%	
PPOP		-491	3,601	4,081	-114%	-112%	The bank identified and reversed Rs. 847 crores of incorrectly booked income (interest and fee) from its microfinance business over three quarters, all taken in Q4FY25.
PAT		-2,329	1,402	2,349	-266%	-199%	
NIM		2.25%	3.93%	4.26%	-168bps	-201bps	The financial impact of all identified issues have been taken into account for FY25. The bank aspires to start FY26 on a clean slate.
GNPA		3.13%	2.25%	1.92%	88bps	121bps	
Federal Bank		Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII		2,377	2,431	2,195	-2%	8%	Federal Bank delivered mixed performance with advances growing in line with industry however, missing medium term guidance.
PPOP		1,465	1,569	1,110	-7%	32%	
PAT		1,030	955	906	8%	14%	PAT remained stable due to moderation in provisions.
NIM		3.12%	3.11%	3.21%	1bps	-9bps	Despite decline in yield on asset and increase in cost of funds, margins remained broadly stable.
GNPA		1.84%	1.95%	2.13%	-11bps	-29bps	
Karur Vysya Bank		Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII		1,089	1,078	995	1%	9%	KVB printed a 14% YoY loan growth driven by 20% growth in RAM sectors.
PPOP		835	815	867	2%	-4%	
PAT		513	496	456	3%	13%	Credit costs slightly increased but that was on account of SR related provisions, which is not expected to recur.
NIM		4.05%	4.04%	4.20%	1bps	-15bps	We expect NIM to contract to 3.75% in FY26E with a deeper rate cuts cycle impacting 52% EBLR book.
GNPA		0.76%	0.83%	1.40%	-7bps	-64bps	
City Union Bank		Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII		600	587	546	2%	10%	Loan growth sustains across FY25, allowing CUB to enter FY26 with renewed confidence.
PPOP		441	436	352	1%	25%	Gross slippages rise on sequential basis, but remained within guidance and under relative control.
PAT		288	286	255	1%	13%	
NIM		3.60%	3.58%	3.66%	2bps	-6bps	Margin improved sequentially, and management guided for broadly stable margin.
GNPA		3.10%	3.40%	4.00%	-30bps	-90bps	

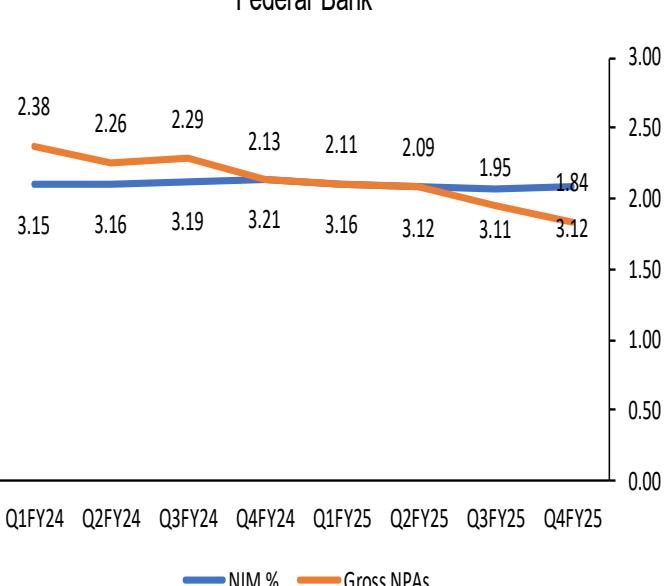
Banking Review - Q4FY25

Story in charts- Mid-tier Private Banks

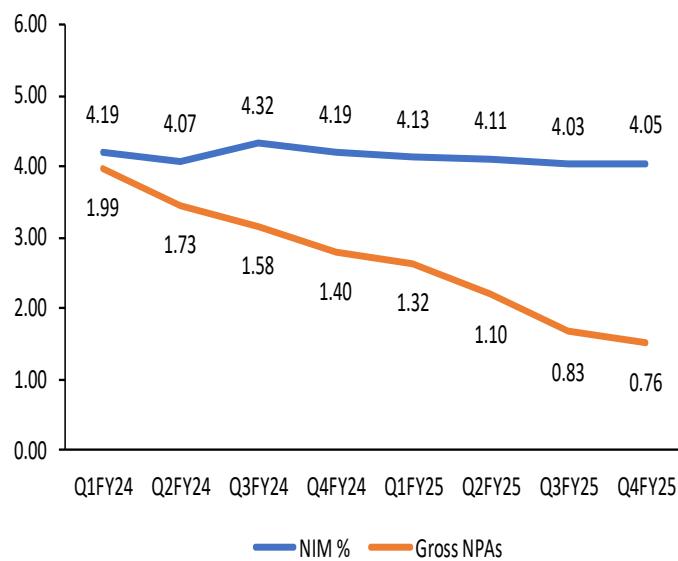
IndusInd Bank



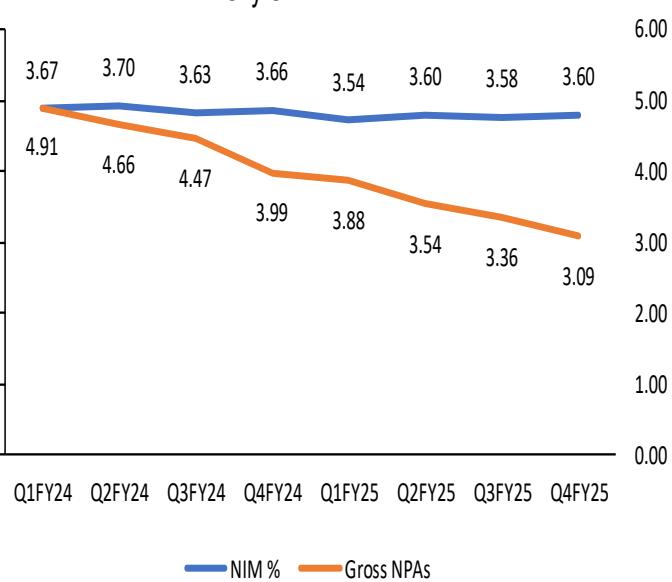
Federal Bank



Karur Vysya Bank



City Union Bank



Banking Review - Q4FY25

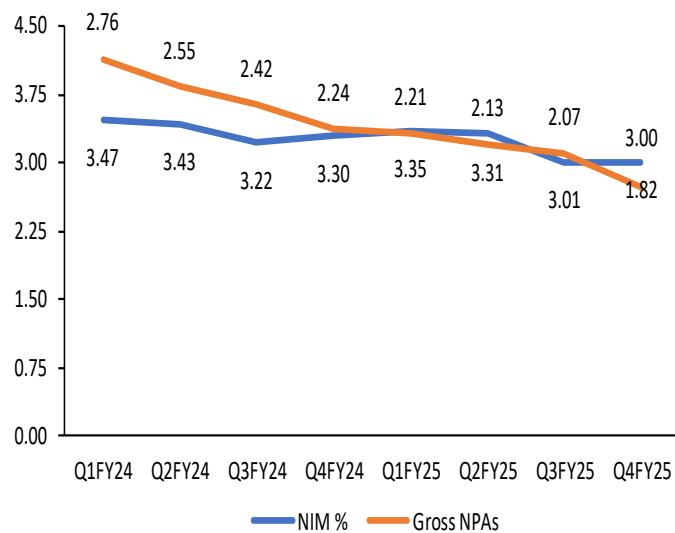
Company wise Key Highlights (Rs. In Crores) - Public Sector Banks

State Bank of India	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	42,775	41,446	41,655	3%	3%	The bank delivered a subdued performance in Q4FY25, with elevated provisions weighing on profitability.
PPOP	31,286	23,551	28,748	33%	9%	
PAT	18,643	16,891	20,698	10%	-10%	The bank expects credit growth to remain at 12-13%.
NIM	3.00%	3.01%	3.47%	-1bps	-47bps	Factoring in another 50bps rate cut and with certain levers on the cost front, SBI expects some moderation in NIMs.
GNPA	1.82%	2.07%	2.24%	-25bps	-42bps	
Bank of Baroda	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	11,020	11,417	11,793	-3%	-7%	BoB reported weaker NII & NIM led by immediate re-pricing of EBLR loans & continue rise in cost of funds.
PPOP	8,132	7,664	8,106	6%	0%	
PAT	5,048	4,837	4,886	4%	3%	Significant pressure on yield has been witnessed in recent quarters.
NIM	2.86%	2.94%	3.27%	-8bps	-41bps	Bank expect NIMs to be in pressure in Q1FY26.
GNPA	2.26%	2.92%	2.92%	-66bps	-66bps	
Punjab National Bank	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	10,757	11,032	10,363	-2%	4%	Credit growth is projected at 11-12%, while deposit growth is expected around 10%, both likely to exceed projections.
PPOP	6,776	6,621	6,416	2%	6%	
PAT	4,567	4,508	3,010	1%	52%	PNB has done well in asset quality. GNPA fell to 3.95% and NNPA reduced to 0.4% (below the guidance).
NIM	2.81%	2.93%	3.10%	-12bps	-29bps	The deposit cost has already peaked and is expected to decline.
GNPA	3.95%	4.09%	4.48%	-14bps	-53bps	
Union Bank of India	Q4FY25	Q3FY25	Q4FY24	QoQ(%)	YoY(%)	Remarks
NII	9,514	9,240	9,437	3%	1%	
PPOP	7,700	7,492	6,533	3%	18%	The bank reported an overall advance growth of 8.6% YoY, falling short of its 9-11% guidance as they have slowed lending to low-yield corporate segments.
PAT	4,985	4,604	3,311	8%	51%	
NIM	2.87%	2.91%	3.09%	-4bps	-22bps	Bank has plans to manage NIM pressure via deposit repricing and portfolio rebalancing.
GNPA	3.60%	3.85%	4.76%	-25bps	-116bps	

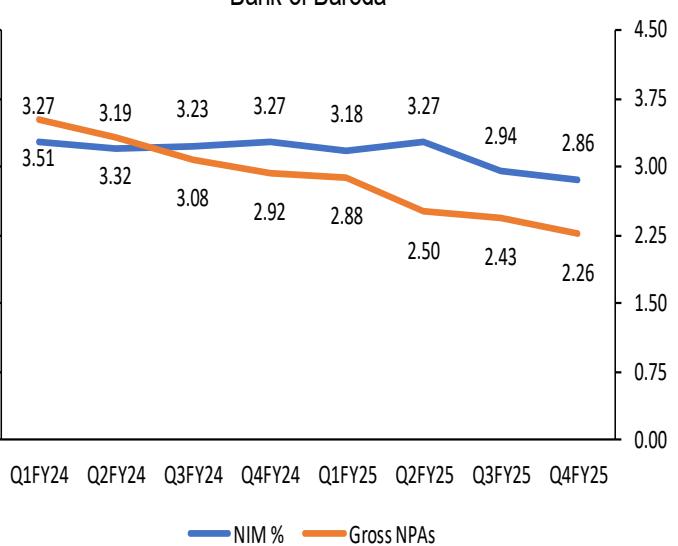
Banking Review - Q4FY25

Story in charts - Public Sector Banks

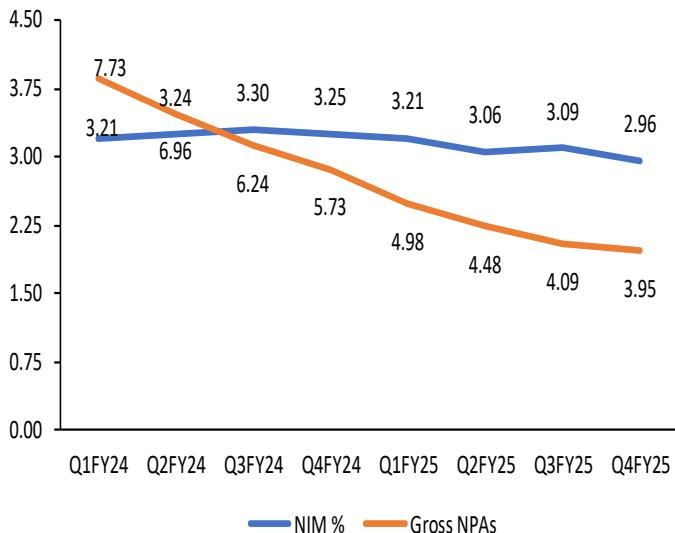
State Bank of India



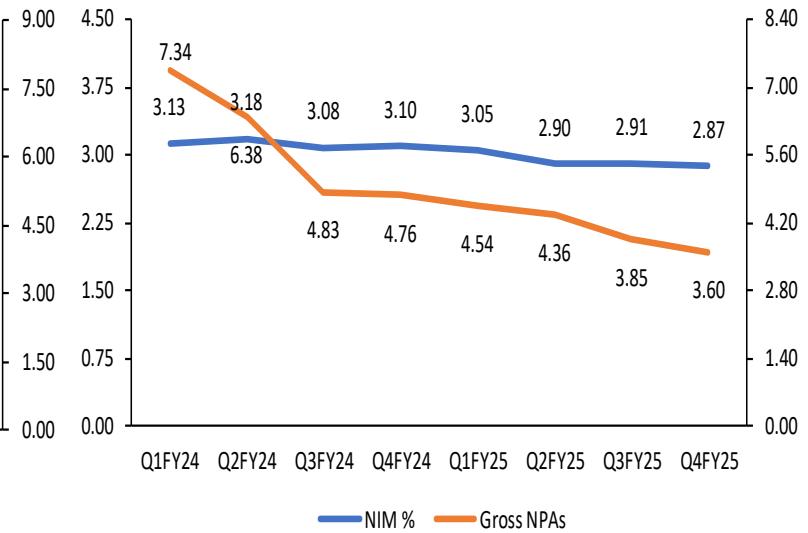
Bank of Baroda



Punjab National Bank

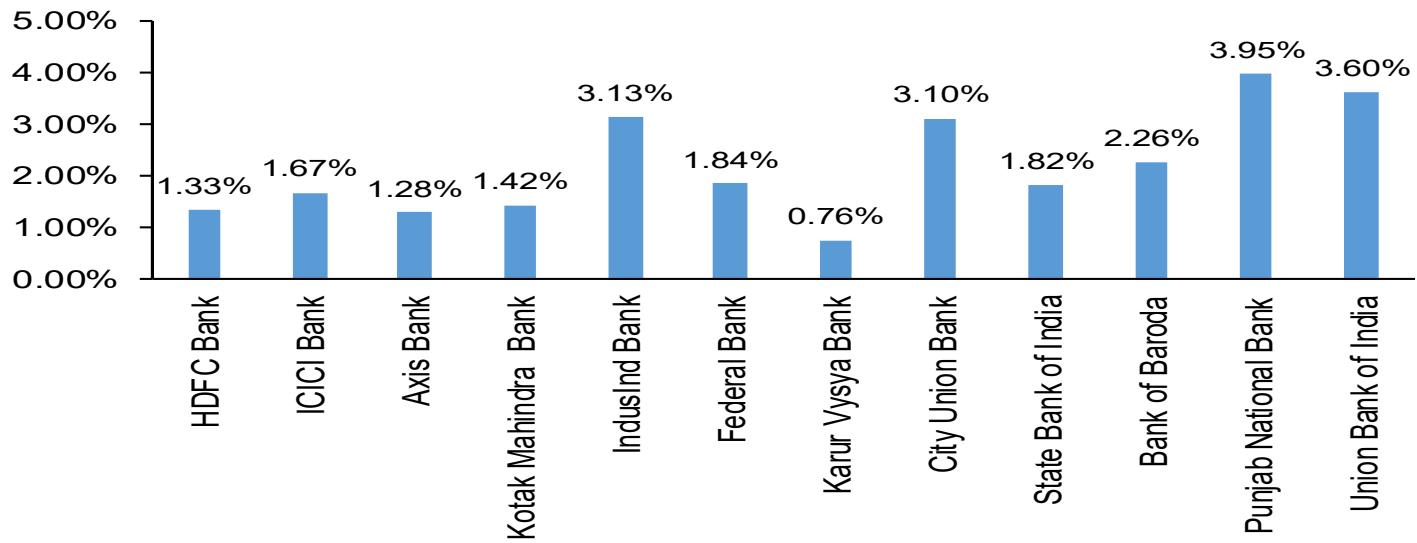


Union Bank



Banking Review - Q4FY25

GNPA

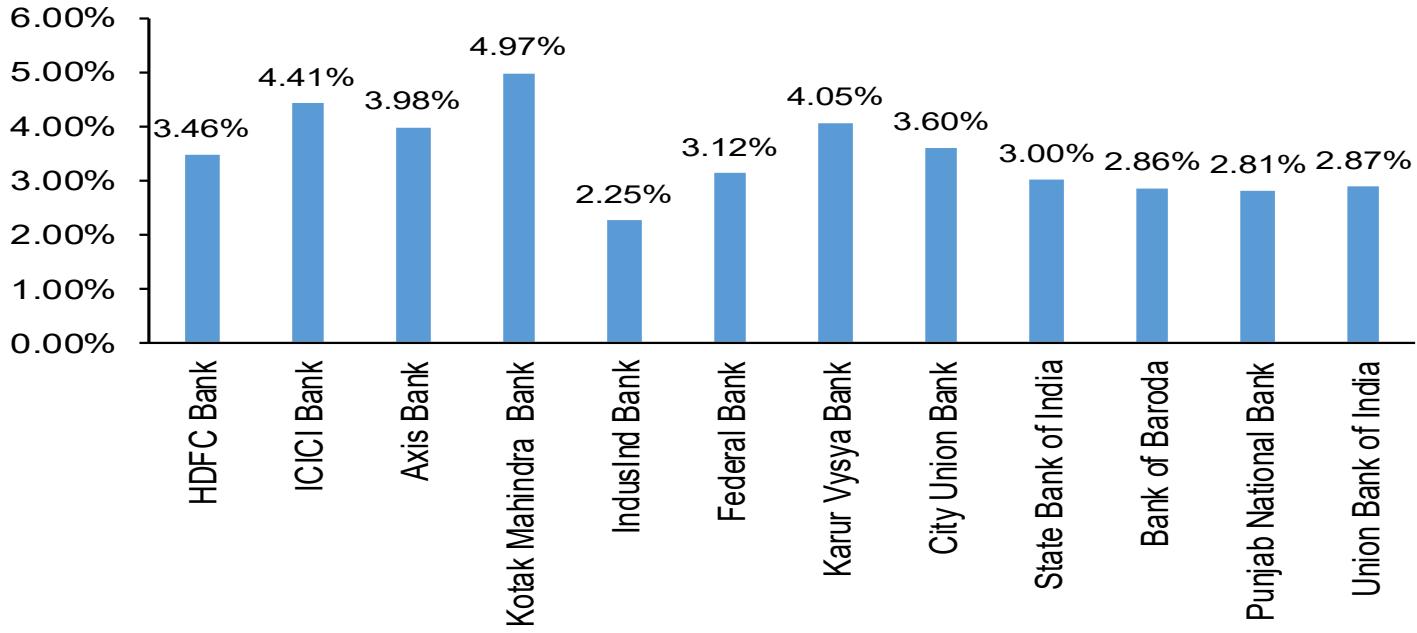


Asset Quality: In Q4FY25, asset quality has remained stable across the sector, excluding IndusInd Bank. Among large private sector banks, the NPA ratios have largely stabilized at current levels.

However, for mid-tier private and public sector banks, asset quality metrics continue to remain elevated, and will require close monitoring going forward.

Overall, asset quality appears stable for the quarter. Provision coverage ratios remain healthy across the board, and CRAR are well above regulatory requirements, reflecting a strong and secure balance sheet position for most banks.

Net Interest Margin



Net Interest margin : Compression on Net interest margin has been seen in Q4FY25 majorly due to

1. Repo rate cut
2. Higher cost of deposit

We anticipate this pressure on NIMs to persist through H1FY26. However, from H2FY26 onward, we expect a gradual moderation. Banks that effectively reprice their cost of deposits are likely to be favoured in FY26.

Additionally, subdued credit growth has further weighed on NIMs. We expect a recovery in credit growth going forward, which should support an expansion in NIMs.

Banking Review - Q4FY25

Valuation

Banks	CMP	RoA (%) FY25	RoA (%) FY26E	RoE (%) FY25	RoE (%) FY26E	P/E (x) FY25	P/E (x) FY26E	P/B (x) FY25	P/B (x) FY26E
Large Private Banks									
HDFC Bank	1,924	1.9%	1.8%	14.6%	15.0%	21.7	20.0	2.9	2.8
ICICI Bank	1,454	2.4%	2.4%	17.9%	18.0%	20.1	19.8	3.3	3.2
Axis Bank	2,073	1.7%	1.8%	16.5%	16.0%	18.7	12.5	2.6	1.8
Kotak Mahindra Bank	1,194	2.7%	2.6%	12.6%	13.0%	13.3	17.8	2.0	2.5
Mid-Tier Private Banks									
IndusInd Bank	805	0.5%	0.7%	4.2%	8.1%	23.7	22.4	0.9	1.2
Federal Bank	202	1.2%	1.3%	13.0%	14.0%	11.8	13.0	1.4	1.5
Karur Vysya Bank	223	1.7%	1.8%	16.3%	17.1%	9.7	10.0	1.7	1.5
City Union Bank	194	1.6%	1.6%	12.6%	13.0%	12.9	12.1	1.5	1.4
Public Sector Bank									
State Bank of India	796	1.1%	1.1%	19.9%	18.0%	9.6	9.0	1.5	1.4
Bank of Baroda	243	1.2%	1.3%	17.0%	16.2%	5.9	5.8	0.8	1.0
Punjab National Bank	102	1.0%	1.1%	19.3%	18.0%	6.4	6.2	0.9	0.8
Union Bank of India	143	1.4%	1.5%	19.1%	18.2%	6.2	6.0	0.9	1.0

Source: Company Reports, BP Equities Research

Prices updated as on 28th May, 2025

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