



**“Core performance remained steady with strong growth momentum, despite one-offs weighing on profitability”**

### Ajcon Global’s observations & views

1. The bank reported healthy business growth driven by strong credit momentum across key segments, including robust traction in RAM, with the retail book crossing the Rs. 1 lakh crore milestone; however, the profitability remained under pressure due to treasury weakness, margin compression, and one-off tax adjustments.
2. Despite near-term headwinds, the bank’s management expressed strong confidence in achieving and potentially outperforming its FY27 guidance, supported by ongoing investments in people, processes, technology, and outreach initiatives, which are expected to strengthen execution and support a positive business outlook.

### Q4FY26 RESULT ANALYSIS

- 1) **Total business** expanded by 4.95% QoQ to Rs. 812439 Crores in Q4FY26 against Rs. 774106 Crores in Q3FY26 and also, increased by 15.60% YoY against Rs. 702798 Crores in Q4FY25.
- 2) **Total deposits** increased by 3.85% QoQ to Rs. 467923 Crores in Q4FY26 against Rs. 450575 Crores in Q2FY26. Also, it rose by 13.38% YoY from Rs. 412697 Crores in Q2FY25.
- 3) **Gross Advances** jumped by 6.49% QoQ to Rs. 344516 Crores in Q4FY26 against Rs. 323531 Crores in Q3FY26 and also, increased by 18.76% YoY from Rs. 290101 Crores in Q4FY25.
- 4) **Net interest income** rose by 14.28% QoQ to Rs. 4002 Crores in Q4FY26 against Rs. 3502 Crores in Q3FY26 and increased by 17.74% YoY against Rs. 3399 Crores in Q4FY25.
- 5) **Operating profit** decreased by 8.55% QoQ to Rs. 2096 Crores in Q4FY26 against Rs. 2292 Crores in Q3FY26 and increased by 4.64% YoY against Rs. 2003 Crores in Q4FY25.
- 6) **Net Profit** declined by 42.68% QoQ to Rs. 724 Crores in Q4FY26 against Rs. 1263 Crores in Q3FY26 and also, went down by 29.98% YoY from Rs. 1034 Crores in Q4FY25. (One-time impact of Rs. 632 Crore from DTA recognition at 25.17% vs 34.94% in the prior period).
- 7) **NIM** improved to 3.25% in Q4FY26 against 2.96% in Q3FY26 and marginally increased from 3.22% in Q4FY25.
- 8) **Cost of deposits** dipped to 4.69% in Q4FY26 from 4.75% in Q3FY26 and also, came down from 4.90% in Q4FY25.
- 9) **Cost of Funds** decreased to 4.72% in Q4FY26 from 4.77% in Q3FY26 and also, declined from 4.99% in Q4FY25.
- 10) **Yield on Advances** slipped to 7.78% in Q4FY26 against 8.15% in Q3FY26 and 8.66% in Q4FY25, respectively
- 11) **Total Non-Interest Income** dipped by 40.29% sequentially to Rs. 1150 Crores in Q4FY26 from Rs. 1926 crores in Q3FY26 and was also down by 32.91% YoY compared to Rs. 1714 Crores in Q4FY25.
- 12) **Fee based income** increased by 25.00% QoQ to Rs. 655 Crores in Q4FY26 from Rs. 524 Crores in Q3FY26 and also, went up by 9.72% YoY from Rs. 597 Crores in Q4FY25.
- 13) **Treasury income** slumped by 97.02% QoQ to Rs. 9 Crores in Q4FY26 from Rs. 302 Crores in Q3FY26 and also, fell by 97.80% YoY to Rs. 409 Crores in Q4FY25.
- 14) **Cost/Income ratio** increased to 59.31% in Q4FY26 against 57.77% in Q3FY26 and reduced from 60.82% in Q4FY25.
- 15) **The total Government guaranteed advances** declined QoQ to Rs. 4900 Crores in Q4FY26 against Rs. 5399 Crores in Q3FY26 and marginally increased YoY from Rs. 4730 Crores in Q4FY25.
- 16) **CASA ratio** slightly rose to 47.30% in Q4FY26 from 47.13% in Q3FY26 but marginally dipped YoY from 48.91% in Q4FY25.
- 17) **Credit/Deposit (C/D) ratio** expanded to 73.80% in Q4FY26 against 72.00% in Q3FY26 and also, it was up from 70.53% in Q4FY25.
- 18) **Return on assets (ROA)** reduced to 0.56% on QoQ in Q4FY26 against 1.01% in Q3FY26 and from 0.91% in Q4FY25, respectively.
- 19) **Fresh slippages** increased to Rs. 1301 Crores in Q4FY26 against Rs. 658 Crores in Q3FY26. Recovery + Upgradation increased to Rs. 461 Crores in Q4FY26 against Rs. 406 Crores in Q3FY26.
- 20) **Gross NPA ratio** improved to 2.67% in Q4FY26 against 2.70% in Q3FY26 and 3.18% in Q4FY25. Net NPAs ratio slightly increased to 0.49% in Q4FY26 against 0.45% in Q3FY26 but improved from 0.55% in Q4FY25, respectively.
- 21) **Total standard restructured assets** declined to Rs. 3999 Crores in Q4FY26 against Rs. 4113 Crores in Q3FY26 and Rs. 5114 Crores in Q4FY25.
- 22) **Credit cost** jumped to 0.79% in Q4FY26 from 0.37% in Q3FY26 and has gone down from 1.23% in Q4FY25.
- 23) **Provision Coverage ratio** fell to 95.97% in Q4FY26 from 96.69% in Q3FY26 and also, came down from 96.54% in Q4FY25.
- 24) **The Bank's Capital Adequacy ratio** improved to 17.91% in Q4FY26 against 16.13% in Q3FY26 and also, increased from 17.02% in Q4FY25.

### KEY FINANCIAL INDICATORS – Q4FY26

<b>CMP (30.04.2026)</b>	: Rs. 36.43
<b>Face Value</b>	: Rs. 10
<b>Book value per share</b>	: Rs. 38.23
<b>Market Capitalisation</b>	: Rs. 32,974.25 Crs.
<b>Capital Adequacy Ratio</b>	: 17.91%
<b>C/D ratio</b>	: 73.80%
<b>CASA ratio</b>	: 47.30%
<b>Net Interest Margin (NIM)</b>	: 3.25%
<b>Cost / Income ratio</b>	: 59.31%
<b>Gross NPA</b>	: 2.67%
<b>Net NPA</b>	: 0.49%
<b>PCR</b>	: 95.97%
<b>Slippage ratio</b>	: 0.44%
<b>Return on Assets (Annualised)</b>	: 0.56%*
<b>Return on Equity (Annualised)</b>	: 8.43%*

\*After taking one time impact of recognition of Deferred Tax Asset at 25.168% as against 34.94% amounting to ₹ 632 Crore

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#### Management Comments

- 25) In response to a analyst’s query on profitability, the MD & CEO, Mr. Kalyan Kumar highlighted that the sequential moderation in profitability was largely driven by non-core factors, notably a sharp decline in treasury income (from over Rs. 300 crore to Rs. 9 crore in Q4FY26) and lower recoveries from written-off accounts (Rs. 1,062 crore to Rs. 352 crore in Q4FY26). He emphasized that the core operating performance remains intact, supported by steady YoY growth in net interest income. Additionally, reported net profit was impacted by a one-time DTA-related charge of Rs. 632 crore. Overall, he indicated that the weakness in profitability is transient in nature and does not reflect any deterioration in the underlying business fundamentals.
- 26) On ECL transition, Mr. Kumar indicated that the bank is well-prepared and remains confident of a smooth transition by April 2027, supported by strengthened models, data quality, underwriting, and slippage control over the past 1–2 years. He highlighted that the bank has already created additional provisions of Rs. 1,575 crore towards ECL transition. He noted that the one-time impact is conservatively estimated at Rs. 4,000 crore and can be comfortably absorbed upfront given strong capital levels (CRAR: 17.91%). On an ongoing basis, incremental provisioning of Rs. 600–650 crore annually. This is expected to be largely offset by Rs. 600–800 crore benefits arising from the shift to the lower tax regime.
- 27) While speaking on treasury performance, the MD & CEO explained that the weakness in Q4 was driven by sharp yield movements, leading to a drop in treasury income to Rs. 9 crore and impacting mark-to-market gains. However, he expects improvement going forward, supported by better market conditions and more optimal deployment of the investment portfolio. Additionally, increased traction in IPO-related activities is expected to support a recovery in treasury income through FY27.
- 28) On recovery from written-off accounts, Mr. Kumar indicated that the bank expects recoveries of Rs. 2,200–2,500 crore in FY27, supported by a sizeable technical written-off pool of over Rs. 32,000 crore, with Rs. 2,270 crore already recovered in FY26. Further, he spoke on the lumpy airline account, highlighting that recovery efforts are ongoing, including auctions, with Rs. 515 crore already realized in the previous quarter.
- 29) On fee income, the MD & CEO shared that the fee income opportunities are still largely untapped, but initiatives like setting up a wealth management division, credit cards and a dedicated sales team are expected to drive growth in advisory and distribution income. Insurance income remained flat at Rs. 161 crore, though significant upside potential exists from better leveraging partnerships. In terms of asset quality, he highlighted that asset quality trends in early FY27 remain stable, with no abnormal slippages or stress signals observed in the retail and MSME segments despite global uncertainties.
- 30) **The management has given positive guidance for FY27:**

**Business Growth:** 14-15%, **Deposit Growth:** 10-12%, **Advances Growth:** 14-16%, **CASA:** 48%(+/- 1%), **RAM: Corporate Credit Ratio:** 65:35 (+/-5%), **NIM:** Above 3%, **Gross NPA:** <2.50%, **Net NPA:** <0.50%, **PCR:** 96 – 98%, **Slippage Ratio:** <0.25% on Q-o-Q basis, **Credit Cost (Annualized):** Upto 0.75%, **Return on Assets:** Above 1%, **Cost to Income Ratio:** < 56%.