

# Mutual funds take a shine to bank stocks

**ROBUST PERFORMANCE.** Nifty Bank Index has appreciated 24 per cent over a one-year period

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The banking sector's robust health, signified by credit growth, improving asset quality, stable profitability and stake buys by foreign banks and institutions in private sector banks, has prompted mutual funds to increase their weightage in the sector, leading to significant rise in their stakes in various banks over the last one year.

Some of the banks in which MFs have increased their shareholding by more than 1 per cent between December 2024 and December 2025 include AU Small Finance Bank (SFB), Axis Bank, Bandhan Bank, Bank of Maharashtra, Federal Bank, HDFC Bank and ICICI Bank, according to data from [primeinfobase.com](https://www.primeinfobase.com).

"Overall, the banking system is doing very well with non-performing assets at

multi-decade lows and improving credit growth. The RBI's Financial Stability Report highlights revival in credit demand. Some sectors like MSMEs, retail and segments of the corporate sector are borrowing more," said VK Vijayakumar, Chief Investment Strategist, Geojit Investments.

"This impressive credit growth along with better asset quality is expected to result in impressive profit numbers. Tier-2 banks reported better Q3 results, and this trend is expected to continue," he said.

## BANK STOCKS SIZZLE

The robust fundamentals of the banking sector is reflected in the performance of the bank stocks with the Nifty Bank Index appreciating 24 per cent over a one-year period. "Considering the sustained financial performance of banks, their stock valuations are very attractive. MFs participated in the qualified institutional place-

## MF shareholding in banks

Bank	MF stake as of Dec-end 2025 %	Percentage points change over Dec-end 2024
AU Small Finance Bank	22.61	5.50
Axis Bank	32.39	4.80
Bandhan Bank	11.79	3.55
Bank of Maharashtra	5.32	4.47
Equitas SFB	45.20	7.70
Federal Bank	37.78	3.25
HDFC Bank	23.09	2.38
ICICI Bank	26.09	2.08
IDFC FIRST Bank	10.93	6.37
Kotak Mahindra Bank	21.18	3.74
RBL Bank	34.44	22.00
South Indian Bank	11.90	8.11
State Bank of India	13.64	1.41
Ujjivan SFB	23.82	19.99
YES Bank	3.58	2.84

Source: [primeinfobase.com](https://www.primeinfobase.com)

ments of some banks. Funds are also re-directing their investments from IT stocks to bank stocks," said Mangesh Kulkarni, Head-Portfolio Management Services, Almondz Financial Services.

The substantial increase in MFs' stake in Equitas SFB and Ujjivan SFB comes in the wake of AU SFB receiving the RBI's in-principle approval in August 2025 to convert

into a universal bank. MFs' stake in AU SFB has gone up 5.5 percentage points/pp since December-end 2024 to 22.61 per cent as of December-end 2025. MFs' stake in Equitas SFB and Ujjivan SFB rose 7.7 pp (to 45.2 per cent as of December-end 2025) and 19.99 pp (to 23.82 per cent), respectively.

The 22 pp jump in MFs' stake (to 34.44 per cent) in

RBL Bank comes in the backdrop of Emirates NBD Bank's decision to acquire controlling stake in the former through a primary infusion of about \$3 billion (₹26,850 crore). MFs upped their stake in IDFC First Bank, up 6.37 pp to 10.93 per cent, and Federal Bank (up 2.25 pp to 37.78 per cent).

During the current fiscal, the arms of Warburg Pincus and ADIA acquired about 9.45 per cent (for ₹4,876 crore) and 5 per cent (₹2,624 crore), respectively, in IDFC First Bank. One of Blackstone's funds has invested ₹6,196.5 crore in the warrants of Federal Bank, translating into a shareholding of 9.89 per cent.

Among public sector banks, MFs have preferred Bank of Maharashtra, upping their stake by 4.47 pp to 5.32 per cent. SBI is the only other PSU bank in which MFs have increased their shareholding by more than 1 per cent (up 1.41 pp to 13.64 per cent).