

SECTOR UPDATE

Q3FY2026 Results Review

SECTOR

Banking

SECTOR VIEW

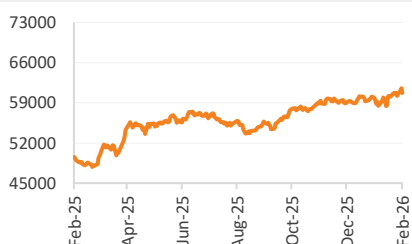
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Coverage universe

Companies	CMP (Rs)	Reco./ View	PT (Rs)
Large Private Banks			
HDFC Bank	916	Buy	1,150
ICICI Bank	1,390	Buy	1,700
Axis Bank	1,356	Buy	1,420
Mid-Tier Private Banks			
Kotak Mahindra Bank	417	Buy	500
Federal Bank	288	Hold	310
Small Private Banks			
AU SFB	1,016	Hold	1,130
CUBK	284	BUY	350
PSBs			
SBI	1,207	Buy	1,260
BOB	304	Buy	320
PNB	126	Buy	145
BOI	169	Buy	190

Source: Company; Mirae Asset Sharekhan Research
UR - Under Review

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

Quick Snapshot

- Credit-offtake beat estimates, up 14.0% versus expectation of 13% YoY, driven by GST rationalisation, festive surge and uptick in economic activities. Deposit growth too picked up, yet lagged loan growth.
- NII growth for universe was slightly above estimates at 6.1% y-o-y and 3.6% q-o-q, on q-o-q NIM and credit expansion.
- Cost efficiency improved as C/I ratio for coverage universe fell ~90 bps q-o-q to 46.5%. Better asset quality also kept credit cost benign, aiding profitability.
- Combined PAT beat estimates by 5% on steady operating performance and asset quality improvement.
- **Preferred Picks** - Axis Bank, HDFC Bank, SBI, CUB.

Credit growth speeds up: Banks’ business momentum was healthy with loan growth rising 14.5% in Q3 versus 10.4% a quarter ago. Segments like Agri, MSME and Retail saw better offtake. Within retail, auto, gold and housing loans increased by 16.5%, 128% and 11.1% respectively. GST rationalisation, festive demand and good monsoon were key growth drivers. Deposits grew 12.6% but lagged credit growth leading to higher C/D ratio.

Overall credit growth for our universe stood at 14%, of which public sector banks’ (PSBs’) loan book rose 14.8% y-o-y, aiding market share gains, while private banks’ (PVBs’) loan book rose 12.9% y-o-y. C/D ratio rose to 85.6% versus 83.9% q-o-q.

Margins resilient: NII rose by 6.1% y-o-y and 3.6% q-o-q against our estimate of 5.6% y-o-y and 3.1% q-o-q, this was mainly on account of slightly better-than-expected NIM performance, NIM (calc.) were up 3 bps q-o-q to 3.13% for our coverage. Most banks barring BoB, PNB and Axis clocked stable to improving margins as impact of repo-rate cut was mitigated by re-pricing of deposits, Lower CRR requirement and change in loan mix in few cases.

Non-interest income robustly rose by 25.9% y-o-y and 4.1% q-o-q and driven by higher fee income, treasury gains in few cases and better recoveries from written-off accounts.

Costs under control: For our coverage, operating expenses rose 8.3% y-o-y and 1.9% q-o-q as banks showed improved cost efficiencies led by rationalised discretionary spends, leveraging tech and manageable impact of labour code. Thus, the cost-to-income ratio for our coverage universe declined to 46.5% versus 47.7% y-o-y and 47.4% q-o-q. Credit cost (calc.) declined to 0.46% from 0.52% as overall fresh stress accretion declined while recoveries and collections also improved.

Asset quality stable: GNPA’s are at a multi-decade low of 2.1% as of September 2025 while Net NPA stood at 0.5%, shows improved balance sheets for banks.

For our coverage, GNPA’s fell 11 bps q-o-q to 1.72% while Net NPA ratio declined 2 bps q-o-q to 0.43%. As per the data and management commentaries, stress in unsecured segments like Credit cards, MFI and personal loans has largely peaked and are normalising. Many small finance banks (SFBs) have reported notable improvement in NPAs indicating improving micro credit scenarios.

Our View

Banks delivered a healthy performance in the quarter, characterized by **stable operating metrics, accelerated loan growth and improvement in asset quality.** Net profit for our coverage universe rose by 10.5% y-o-y driven by PSBs which reported a strong PAT growth of 17.9% y-o-y, while PVBs saw a modest PAT rise of 5.1% y-o-y. ROA on sequential basis was largely stable ~1.5%. Besides, SFBs and small size banks also reported strong performance on loan growth, profitability growth and asset quality improvement. In Q4, the sector is expected to maintain its strong growth momentum and healthy asset quality, though margins may vary by institution as banks navigate the impact of the RBI’s December rate cut using available strategic levers.

Top Preferred Picks: Axis Bank, SBI, HDFC Bank, City Union Bank

Q3FY26 Result Estimates (Standalone)
Rs cr

Particulars	NII (Rs. cr)					PPOP (Rs. cr)					PAT (Rs. Cr)				
	Q3 FY26	Q3 FY25	Q2 FY26	Y-o-Y (%)	Q-o-Q (%)	Q3 FY26	Q3 FY25	Q2 FY26	Y-o-Y (%)	Q-o-Q (%)	Q3 FY26	Q3 FY25	Q2 FY26	Y-o-Y (%)	Q-o-Q (%)
Large Private Banks															
HDFC Bank	32,861	30,653	31,552	7.2	4.2	28,003	25,000	27,924	12.0	0.3	18,133	16,736	18,641	8.3	-2.7
ICICI Bank	22,113	20,371	21,529	8.6	2.7	18,035	16,887	17,298	6.8	4.3	12,453	11,792	12,359	5.6	0.8
Axis Bank	14,081	13,606	13,744	3.5	2.5	10,732	10,534	10,412	1.9	3.1	6,130	6,304	5,090	-2.8	20.4
Mid-Tier Private Banks															
Kotak Mahindra Bank	7,566	7,196	7,311	5.1	3.5	5,611	5,181	5,268	8.3	6.5	3,536	3,305	3,253	7.0	8.7
Federal Bank	2,568	2,431	2,495	5.6	2.9	1,662	1,569	1,644	5.9	1.1	1,005	955	955	5.2	5.2
Small Private Banks															
AU SFB	2,280	2,023	2,144	12.7	6.3	1,289	1,205	1,210	6.9	6.5	620	528	561	17.3	10.5
CUBK	683	588	667	16.2	2.5	496	436	471	13.8	5.4	339	286	329	18.7	3.3
PSBs															
SBI	44,393	41,446	42,984	7.1	3.3	28,976	23,551	27,311	23.0	6.1	17,979	16,891	20,160	6.4	-10.8
BOB	12,083	11,786	11,954	2.5	1.1	7,818	7,664	7,576	2.0	3.2	4,897	4,837	4,809	1.2	1.8
PNB	10,733	11,032	10,469	-2.7	2.5	7,049	6,621	7,227	6.5	-2.5	4,702	4,508	4,904	4.3	-4.1
BOI	6,133	6,070	5,914	1.0	3.7	4,018	3,703	3,821	8.5	5.2	2,646	2,517	2,555	5.1	3.6
PVT total	82,145	76,868	79,442	6.9	3.4	64,167	60,812	64,227	5.5	-0.1	41,948	39,906	41,188	5.1	1.8
PSU total	73,984	70,334	71,320	5.2	3.7	51,913	41,538	45,935	25.0	13.0	33,888	28,754	32,427	17.9	4.5
Banking total	1,56,129	1,47,202	1,50,763	6.1	3.6	1,16,080	1,02,350	1,10,162	13.4	5.4	75,836	68,660	73,615	10.5	3.0

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	916	1,150	1.9	2.0	14.6	15.0	14.5	12.6	2.0	1.8	
ICICI Bank	Buy	1,390	1,700	2.3	2.3	15.1	15.2	15.0	12.8	2.1	1.8	
Axis Bank	Buy	1,356	1,420	1.6	1.7	14.6	14.8	10.9	9.3	1.5	1.3	
Mid-Tier Private Banks												
Kotak Mahindra Bank	Buy	417	500	2.0	2.1	12.3	13.0	17.5	14.6	2.0	1.8	
Federal Bank	Hold	288	310	1.1	1.2	11.7	11.8	14.4	13.2	1.5	1.4	
Small Private Banks												
AU SFB	Hold	1,016	1,130	1.6	1.8	16.1	17.8	21.7	16.5	3.3	2.8	
CUBK	BUY	284	350	1.5	1.5	13.3	13.1	13.7	12.2	1.8	1.6	
PSBs												
SBI	Buy	1,207	1,260	1.1	1.2	15.6	15.7	9.4	8.2	1.4	1.2	
BOB	Buy	304	320	1.1	1.1	14.0	14.1	6.4	5.7	0.9	0.8	
PNB	Buy	126	145	0.9	0.9	12.6	12.5	9.4	8.2	1.0	0.9	
BOI	Buy	169	190	0.9	0.9	12.9	12.5	7.9	7.6	0.8	0.7	

Source: Company; Mirae Asset Sharekhan Research; UR – Under Review

Company wise Key expectations
Rs cr

AU Small Finance Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	2,341.3	2,022.7	2,144.4	15.7	9.2	Driven by strong credit growth (24%) and improved margins (+25 bps), the company reported a 26.3% PAT increase, beating estimates. Despite higher operating expenses, rising fee income and significantly lower credit costs bolstered overall operational performance.
PPOP	1,215.3	1,204.9	1,209.7	0.9	0.5	
PAT	667.7	528.4	560.9	26.3	19.0	
Axis Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	14,286.6	13,605.9	13,744.4	5.0	3.9	Despite a slight NIM compression to 3.64%, PAT rose 27.5% q-o-q, beating estimates due to lower costs. Loan growth remains strong, and asset quality is stable despite minor technical slippages. Long-term growth is expected to outpace the industry
PPOP	10,875.7	10,533.9	10,412.4	3.2	4.4	
PAT	6,489.6	6,303.8	5,089.6	2.9	27.5	
Bank of Baroda	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	11,800.4	11,786.0	11,953.6	0.1	-1.3	Despite NIMs falling 17 bps on higher costs, net profit rose 4.5% y-o-y to ₹5,055 crore, beating estimates. Lower credit costs and treasury gains offset flat NII and fee income, while asset quality improved with lower GNPA's.
PPOP	7,377.1	7,664.2	7,576.0	-3.7	-2.6	
PAT	5,054.6	4,837.3	4,809.4	4.5	5.1	
Bank of India	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	6,460.7	6,070.3	5,913.8	6.4	9.2	PAT grew 7.5% y-o-y, beating estimates thanks to a 16 bps NIM expansion and strong treasury gains. Despite higher slippages from a large road account, asset quality improved and loan growth (15%) remains ahead of industry benchmarks
PPOP	4,192.8	3,702.6	3,820.9	13.2	9.7	
PAT	2,704.7	2,516.7	2,554.6	7.5	5.9	
City Union Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	752.2	587.7	666.5	28.0	12.8	Net profit rose 16% y-o-y to ₹332 crore, supported by 28% NII growth and a 26 bps NIM expansion. Healthy 21% loan growth and a positive outlook offset higher provisions used for balance sheet strengthening
PPOP	513.2	436.0	470.6	17.7	9.0	
PAT	332.2	286.0	328.6	16.1	1.1	
Federal Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	2,652.7	2,431.3	2,495.2	9.1	6.3	Strong NII and a 9% PAT growth beat estimates, fueled by expanding NIMs and reduced credit costs from improved asset quality. Increased wholesale segment traction drove a rise in overall loan growth momentum.
PPOP	1,729.3	1,569.5	1,644.2	10.2	5.2	
PAT	1,041.2	955.4	955.3	9.0	9.0	
HDFC Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	32,615.0	30,653.3	31,551.5	6.4	3.4	Advances rose 12% led by corporate banking, while NIMs beat expectations with an 8 bps increase. Despite higher labor costs and agri-loan slippages, improved cost ratios and deposit repricing are expected to maintain healthy profit levels
PPOP	27,097.8	25,000.4	27,923.6	8.4	-3.0	
PAT	18,653.8	16,735.5	18,641.3	11.5	0.1	

ICICI Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	21,932.2	20,370.6	21,529.5	7.7	1.9	Stable NIMs and steady NII growth met estimates, but a ₹1,283 crore one-off provision dragged PAT down 4% y-o-y. Despite the earnings lag, credit growth momentum in business banking suggests a positive outlook for future return ratios
PPOP	17,356.0	16,886.6	17,298.0	2.8	0.3	
PAT	11,317.9	11,792.4	12,358.9	-4.0	-8.4	
Kotak Bank	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	7,564.6	7,196.3	7,310.7	5.1	3.5	Net PAT rose 4% as steady NIMs and a CRR cut offset falling yields. Asset quality improved significantly, with GNPA dropping to 1.3%. Despite higher labor and retirement-related opex, benign credit costs supported in-line earnings.
PPOP	5,379.8	5,181.0	5,268.3	3.8	2.1	
PAT	3,446.1	3,304.8	3,253.3	4.3	5.9	
PNB	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	10,532.6	11,032.3	10,468.8	-4.5	0.6	PAT was up 13%, beating expectations as strong treasury income and recoveries offset an 8 bps NIM decline. While floating provisions increased credit costs, core asset quality remained soft. Margins are projected to stabilize in the upcoming quarter
PPOP	7,480.9	6,620.6	7,227.1	13.0	3.5	
PAT	5,100.2	4,508.2	4,903.7	13.1	4.0	
SBI	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	45,190.4	41,445.5	42,984.1	9.0	5.1	NII rose 9% y-o-y with 2.99% margins, beating expectations. Record ₹21,028 crore PAT was driven by a ₹2,200 crore special dividend, strong fee income, and benign credit costs (0.29%) as asset quality improved and opex remained controlled
PPOP	32,862.4	23,550.8	27,310.9	39.5	20.3	
PAT	21,028.2	16,891.4	20,159.7	24.5	4.3	

Source: Company; Mirae Asset Sharekhan Research; UR – Under Review

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