

### Q3FY2026 Results Preview

**Sector:** Banking

**Sector View:** Positive

#### Coverage universe

Company	CMP (Rs)	Reco./ View	PT (Rs)
<b>Large Private Banks</b>			
HDFC Bank	949	Buy	1,150
ICICI Bank	1,428	Buy	1,700
Axis Bank	1,295	Buy	1,420
<b>Mid-Tier Private Banks</b>			
Kotak Mahindra Bank	2,144	Buy	2,500
Federal Bank	258	Hold	275
<b>Small Private Banks</b>			
AU SFB	1,004	Hold	1,025
CUBK	291	Hold	300
<b>PSBs</b>			
SBI	1,007	Buy	1,100
BOB	308	Buy	320
PNB	126	Buy	140
BOI	151	Buy	165

Source: Company, Mirae Asset Sharekhan Research

## Banking

### Growth momentum, stable operating metrics to aid return ratios

#### Summary

- We expect NII growth to be modest as NIMs look to stabilize in Q3FY26. Yield pressure due to rate cuts would be largely balanced by CRR cut and liquidity.
- Loan growth trajectory should improve on YoY basis as levers such as GST rationalisation, lower rates etc. to come into play. Deposits growth should be lower than credit growth in Q3FY26.
- Asset quality to improve on sequential basis in most credit segments.
- **Preferred Picks** - Axis Bank, Kotak Bank, HDFC Bank, SBI, CUB.

**Credit growth trajectory improving:** Banking sector is expected to post improving trajectory of loan growth on YoY basis and for our coverage universe we expect advances to increase by 12.9% YoY. Deposit growth is expected to lag loan growth at 10.9% YoY. PSU banks are expected to lead the advances growth with an uptick of 13.2% YoY while Private banks in our coverage are projected to grow loans at 12.5% YoY. Within credit segments gold loans, MSME, Vehicle loans are expected to post good growth. GST rate cut, personal income tax relief are expected to reflect positively on credit growth for banks.

**Margins to remain largely stable:** Net interest income (NII) is estimated to post modest growth of ~5.9% YoY (our coverage) as NIM stabilization takes place, we believe pressure on yields owing to repo rate cut would be cushioned by lower CRR (down 100 bps to 3%), term deposit re-pricing and comfortable liquidity. PSU and Large private have relatively higher quantum of floating rate loans and could see some pressure in yields, but other factors like liquidity, decline in CoF to counter the yield impact. Improving stress scenarios, better recoveries would also impact positively on interest income and thus NIMs. In our coverage universe NIMs are expected to move around +/- 5 bps on a sequential basis for most banks. Fee income growth to be largely in-line with loan growth on YoY basis however treasury income may not contribute meaningfully during Q3FY26 as G-sec yields have been rangebound. Healthy recoveries in select segments is likely to add to other income for the banks.

**Cost parameters to be in control:** On a sequential basis operating expenses are expected to remain largely flat as most of the salary hikes and other expenses are accounted by Q2, however there could be marginal rise due to higher business activity in Q3FY26. Cost to income ratio in our coverage universe is projected to be at 47.0% versus 47.4% QoQ and YoY, driven by stable income levels. Credit cost is estimated to further normalise by 5-10 bps as stress in unsecured segments like Personal loans and credit cards has peaked out, while in few cases for MFI segment there could be additional provisioning requirement.

**Overall asset quality outlook benign:** As per latest RBI data the GNPA levels are at multi-decade low of 2.1% as on September 2025 while NNPA stood at 0.5%. Asset quality scenario for banks in Q3FY26 is looking sanguine, and we expect lower slippages on sequential basis thus leading to improving stress on books for banks in general. PL and credit card segment should see alleviating stress while other segments should post stable NPA numbers. Collections in micro finance segment is improving which should also help reducing NPAs. Seasonality in Agri loans in certain cases like HDFC, ICICI and SBI would be key to watch.

**Our View:** On an overall basis we expect banks to put stable performance on profitability, Large PSU banks and Private banks are projected to post respectable levels of return ratios in Q3FY26 on the back of steady operating metrics. In our coverage universe we expect PAT to grow at 5.1% YoY in which private banks are expected to post PAT growth of 5.8% while PSU banks are estimated to post a profit growth of 4.1%.

**Preferred Picks** - Axis Bank, Kotak Bank, HDFC Bank, SBI, CUB.

#### Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Q3FY26 Result estimates (Standalone)

Banks	NII (Rs cr)					PPoP (Rs cr)					PAT (Rs cr)				
	Q3 FY26E	Q3 FY25	Q2 FY26	YoY %	QoQ %	Q3 FY26E	Q3 FY25	Q2 FY26	YoY %	QoQ %	Q3 FY26E	Q3 FY25	Q2 FY26	YoY %	QoQ %
<b>Large Private Banks</b>															
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
<b>Mid-Tier Private Banks</b>															
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
<b>Small Private Banks</b>															
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	690	588	667	17.4	3.6	503	436	471	15.4	6.9	345	286	329	20.7	5.0
<b>PSBs</b>															
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	11,417	11,954	5.8	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	2,346	2,517	2,555	-6.8	-8.2

Source: Company, Mirae Asset Sharekhan Research

## Valuations

Banks	Reco.	CMP (Rs.)	TP (Rs.)	RoA (%)		RoE (%)		P/E (x)		P/B (x)	
				FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
<b>Large Private Banks</b>											
HDFC Bank	Buy	949	1,150	1.9	1.9	14.2	14.6	15.3	13.3	2.1	1.8
ICICI Bank	Buy	1,428	1,700	2.2	2.2	14.9	14.9	15.9	13.7	2.2	1.9
Axis Bank	Buy	1,295	1,420	1.6	1.7	14.0	14.3	11.8	10.0	1.5	1.3
<b>Mid-Tier Private Banks</b>											
Kotak Mahindra Bank	Buy	2,144	2,500	2.0	2.1	12.2	13.1	17.0	13.9	2.0	1.7
Federal Bank	Hold	258	275	1.2	1.3	12.9	13.9	12.7	10.4	1.6	1.4
<b>Small Private Banks</b>											
AU SFB	Hold	1,004	1,025	1.6	1.7	16.2	17.5	21.6	16.8	3.4	2.8
CUBK	Hold	291	300	1.5	1.5	13.0	13.3	14.3	12.3	1.8	1.6
<b>PSBs</b>											
SBI	Buy	1,007	1,100	1.1	1.1	15.1	14.7	8.0	7.1	1.1	1.0
BOB	Buy	308	320	1.0	1.0	12.6	12.8	7.6	6.6	0.9	0.8
PNB	Buy	126	140	0.9	0.9	12.1	12.2	7.9	6.9	0.9	0.8
BOI	Buy	151	165	0.9	0.9	11.8	12.3	8.2	6.9	0.8	0.7

Source: Company, Mirae Asset Sharekhan Research

## Company wise key expectations

AU Small Finance Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	2,279.8	2,022.7	2,144.4	12.7	6.3	• Sequential improvement in margins seen, asset quality improvement to help reduce provision requirement and thus aid overall net profit growth. Advances growth to be higher than industry.
PPOP	1,288.6	1,204.9	1,209.7	6.9	6.5	
PAT	619.8	528.4	560.9	17.3	10.5	
Axis Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	14,081.2	13,605.9	13,744.4	3.5	2.5	• Loan growth is above industry, margins could see slight pressure, Credit cost to decline QoQ as previous quarter had one-off provision
PPOP	10,731.7	10,533.9	10,412.4	1.9	3.1	
PAT	6,129.8	6,303.8	5,089.6	-2.8	20.4	
Bank of Baroda	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	12,083.4	11,416.9	11,953.6	5.8	1.1	• Higher than industry growth to aid top-line as NIMs could decline. Opex to remain under control while credit cost barring agri should normalise
PPOP	7,818.3	7,664.2	7,576.0	2.0	3.2	
PAT	4,897.2	4,837.3	4,809.4	1.2	1.8	
Bank of India	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	6,132.5	6,070.3	5,913.8	1.0	3.7	• NIMs are likely to remains stable for the bank QoQ. Fee income to be in-line with loan growth but treasury income to be lower. Decent PAT growth expected
PPOP	4,017.6	3,702.6	3,820.9	8.5	5.2	
PAT	2,346.0	2,516.7	2,554.6	-6.8	-8.2	
City Union Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	690.3	587.7	666.5	17.4	3.6	• Loan growth momentum is expected to continue, most operating metrics are on improving trend. PAT to show healthy growth.
PPOP	503.2	436.0	470.6	15.4	6.9	
PAT	345.1	286.0	328.6	20.7	5.0	
Federal Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	2,568.3	2,431.3	2,495.2	5.6	2.9	• Margins are likely to be flat as yield decline will be balanced by lower COF, change in loan mix etc. Opex and credit cost to be under control. Loan growth momentum to improve but to remain below industry.
PPOP	1,661.8	1,569.5	1,644.2	5.9	1.1	
PAT	1,005.0	955.4	955.3	5.2	5.2	
HDFC Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	32,861.2	30,653.3	31,551.5	7.2	4.2	• Improving trends of growth to drive NII, Margins are likely to see improvement sequentially. Credit cost should normalise in most segments while seasonal stress in Agri loan would be key to watch.
PPOP	28,002.6	25,000.4	27,923.6	12.0	0.3	
PAT	18,132.9	16,735.5	18,641.3	8.3	-2.7	
ICICI Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	22,112.9	20,370.6	21,529.5	8.6	2.7	• Steady overall performance is expected from the bank. Asset quality should improve on overall basis. NII would be supported by stable NIMs, while fee to be in-line with loans while treasury gains to be lower.
PPOP	18,035.4	16,886.6	17,298.0	6.8	4.3	
PAT	12,452.8	11,792.4	12,358.9	5.6	0.8	
Kotak Bank	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	7,566.2	7,196.3	7,310.7	5.1	3.5	• Higher than industry growth to adrive NII, sequential margin expansion would be aided by lower cost of funds and better product mix. Opex to be higher due to increased business volume. Credit cost to largely remain under control.
PPOP	5,610.9	5,181.0	5,268.3	8.3	6.5	
PAT	3,536.5	3,304.8	3,253.3	7.0	8.7	
PNB	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	10,733.1	11,032.3	10,468.8	-2.7	2.5	• Below industry growth and NIM pressure to keep NII growth in check. Fee income, recoveries from Wtire-off to aid income. Opex to be stable QoQ. Benign credit cost should keep stable levels of PAT.
PPOP	7,048.5	6,620.6	7,227.1	6.5	-2.5	
PAT	4,702.1	4,508.2	4,903.7	4.3	-4.1	
SBI	Q3FY26E	Q3FY25	Q2FY26	YoY (%)	QoQ (%)	Comment
NII	44,393.3	41,445.5	42,984.1	7.1	3.3	• Broadly stable NIMs are expected on sequential basis for the bank. Healthy fee income and recoveries to help other income, treasury gain to be muted. Agri slippages could rise sequentially due to seasonal factors but overall credit cost to remain under guided range.
PPOP	28,975.8	23,550.8	27,310.9	23.0	6.1	
PAT	17,979.3	16,891.4	20,159.7	6.4	-10.8	

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