

6th February 2026

Close*: ₹85/-

View – **HOLD**
Key Highlights – Q3FY26

- IDFC First Bank Ltd.'s PAT was up + 48.1% YoY/ 42.6% QoQ to ₹5,026mn.
- Customer deposits rose +22.9% YoY/ +5.2% QoQ to ₹2,911bn.
- Loan book witnessed healthy +21% YoY / +2.8% QoQ growth to ₹2,699bn.
- Asset quality improved sequentially with GNPA at 1.69% and NNPA at 0.53%.
- Return ratios for the bank have come off with RoA at 0.51% up 10bps YoY and +13bps QoQ.
- SMA Pool of MFI has declined by 78% since March 25, indicating reducing stress in MFI going forwar.
- Credit cost of the Bank reduced by 19 bps from 2.24% in Q2FY26 to 2.05% in Q3FY26.

IDFC FIRST Bank sustained its robust credit expansion, posting a 21% YoY increase in loans for Q3. Notably, margins reversed a seven-quarter downward trend, climbing 17 bps sequentially to 5.8%. Despite this, bottom-line growth was hampered by elevated operating expenses and higher loan loss provisions (LLP), resulting in a PAT of ₹5bn – an 10% miss – and an ROA of 0.5%. Looking ahead, management remains optimistic about broad-based credit growth and has upgraded its Q4 margin guidance to 5.85% following a recent savings account rate adjustment. While high operational costs persist, they are expected to normalize as the credit card and liability segments mature, while improving retail credit quality should alleviate provisioning pressure. Consequently, ROA is projected to recover from 0.5–0.6% in FY25–26E to 1.0–1.5% by FY27–28E, driven by margin expansion and better cost efficiencies.

Important Statistics

Nifty	25,643
Sensex	83,314
Close* (₹)	85
M.CAP (₹ bn)	₹625.61
52 Week H/L (₹)	87/52.5
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCBK:IN

Close as on 5th February 2026*
Shareholding Pattern (%) Dec'25

Promoters	-
FIIIs	36.76
DII	22.38
Public & Others	40.85

Financial

(₹ bn)			
Particulars	Q3FY26	% YoY	%QoQ
Mortgages	602	16%	2%
Consumer Loans	514	75%	7%
Credit Cards	91	32%	6%
Vehicle Finance	320	27%	6%
Gold Loans	31	66%	18%
Others	47	-76%	20%
Rural Finance - KCC	235	-7%	0%
Microfinance	67	-39%	-9%
Retail (Funded)	1,841	15%	4%
Business Finance	918	29%	6%
Wholesale Loans	563	34%	7%
Business Banking	119	31%	8%
CV/CE Financing	94	30%	9%
Others	142	12%	-3%
Total Gross Advances	2,825	17%	5%

Source – Company, Way2Wealth Research
Q3FY26 Result Update
Advances –

- The loan book continues its upward trajectory with a focus on retail and MSME diversification.
- Current Standing (Q3FY26): The total loan book reached ₹2,79,428crs and increased 21% YoY.
- Growth (Since Merger): This represents a 15% CAGR from the merger loan book of ₹1,04,660crs in Dec-18.
- Composition: The portfolio has shifted significantly from a wholesale-heavy book (86% wholesale at the time of IDFC Bank) to a retail-dominated, universal suite including home, vehicle, consumer, and SME loans.

Deposits and CASA –

- Liability franchise building remains a core strength for the bank.
- Customer Deposits: Reached ₹2,82,662crs as of Dec-31, 2025.
- Growth: Customer deposits have grown at a 33% CAGR since Dec-18.
- CASA Growth: CASA deposits stood at ₹1,50,350crs, achieving a massive 61% CAGR since merger.
- CASA Ratio: The CASA ratio improved significantly to 51.6% in Q3-FY26, compared to just 13.0% at the time of merger.

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
IDFC First Bank	35.7%	36.7%	75%
Nifty 50	10.3%	44.4%	72.7%
Sensex	8.8%	37.8%	65.5%

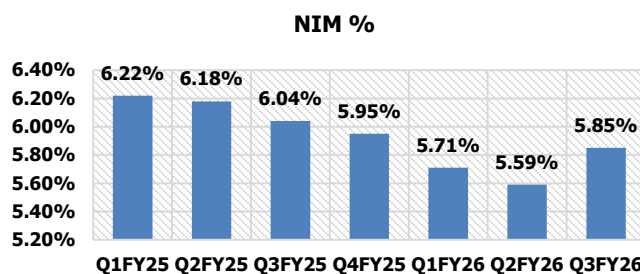
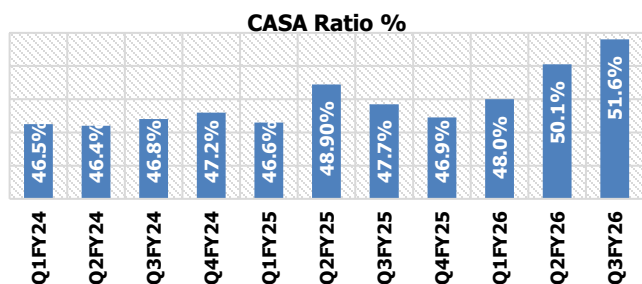
Source – Company, Way2Wealth Research
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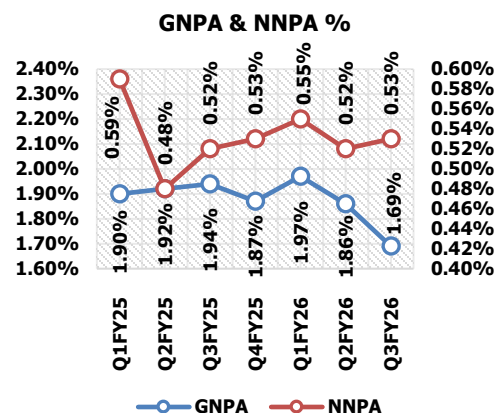
Source – Company, Way2Wealth Research

➤ Profitability –

- The bank's profitability metrics show substantial improvement in core earnings capacity.
- Net Interest Margin (NIM): NIM stood at 5.76% for Q3FY26, decreased by 28bps YoY basis & increased 17bps QoQ while a significant increase of 259 bps from 3.1% in Dec-18.
- Core PPOP: Core Pre-Provision Operating Profit (PPOP) as a percentage of average assets rose to 2.0%, up from 0.8% at merger.
- Cost to Income (C/I): The efficiency ratio improved to 71.8% (down from 82.2% in Dec-18). Excluding trading gains, the C/I was 73.3% for Q3FY26.
- Historical Context: While early post-merger periods saw losses or low PAT, the bank has now achieved a 5-year PAT CAGR of 56%.

➤ Asset Quality –

- Asset quality remains robust despite the aggressive growth in retail and MSME lending. MSME/mortgage portfolios registered modest credit cost increases of 25-30 bps over 3Q, which management considers non-structural and manageable.
- Gross NPA (GNPA): Reduced significantly to 1.69% from 1.94% in Dec-24.
- Net NPA (NNPA): Stable at 0.53% since last one year
- Gross slippages during the quarter stood at ₹20.92bn as against ₹22.6bn in Q2FY26.
- Credit cost Full-year guidance intact at ~210 bps, with strong Q4 visibility supporting trajectory. Long-term through-cycle target: 2% portfolio-wide. Credit costs to decline sequentially from Q4FY26, with MFI stress largely resolved.
- ECL Impact: Capital-positive implementation; credit costs marginally higher pending final norms. Management confident in navigating transition.



Source – Company, Way2Wealth Research

View

IDFC First Bank posted a solid Q3FY26 performance, exceeding expectations regarding Net Interest Income and delivering slightly better Pre-Provision Operating Profit. Provisions came in lower than anticipated, while asset quality showed sequential and annual improvements. On QoQ basis, the cost of funds was reduced by 12 bps to 6.11%. Unsecured loan segments are encouraging growth momentum, with the bank anticipating improved yields while maintaining disciplined credit costs. We project the Cost-to-Income ratio to improve from 71.3% FY26E to 67.7% FY27E, driven by accelerating revenue growth and emerging operating leverage benefits. Hence, **we recommend HOLD, at CMP of ₹85.14, stock is trading at 1.4x FY27E P/ABV multiple.**

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View – HOLD

Financial Performance

(₹ mn)

Particulars	Q3FY25	Q2FY26	Q3FY26	YoY	QoQ	9M FY25	9MFY26	YoY
Int Income	93,430	99,369	1,04,170	11.5%	4.8%	270890	299960	10.7%
Int Expense	44,410	48,243	49,246	10.9%	2.1%	127040	144580	13.8%
Net Interest Income	49,021	51,126	54,924	12.0%	7.4%	143850	155380	8.0%
Fee Income	17,573	18,915	20,290	15.5%	7.3%	49740	55960	12.5%
Operating Income	66,819	70,040	76,174	14.0%	8.8%	195110	217810	11.6%
Operating Expense	49,230	51,239	55,841	13.4%	9.0%	139080	156290	12.4%
Operating Profit (PPOP)	17,589	18,801	20,334	15.6%	8.2%	56030	61520	9.8%
Provisions	13,379	14,519	13,983	4.5%	-3.7%	40640	45090	10.9%
PBT	4,210	4,282	6,351	50.8%	48.3%	15390	16430	6.8%
Tax	816	759	1,325	62.4%	74.5%	3180	3260	2.5%
PAT	3,394	3,523	5,026	48.1%	42.6%	12210	13170	7.9%
CASA Ratio	47.7%	50.1%	51.6%					
GNPA %	1.94%	1.86%	1.69%					
NNPA%	0.52%	0.52%	0.53%					
PCR %	73.60%	72.20%	69.10%					

Source – Company, Way2wealth Research

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Disclosure of Interest Statement: IDFC First Bank Ltd. as on February 06, 2026

Name of the Security	IDFC First Bank Ltd.
Name of the analyst	Dhananjay Kansara
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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