29th October 2025 | Close*: ₹79/- | View – **HOLD**

Key Highlights – Q2FY26

- IDFC First Bank Ltd.'s PAT was up + 76% YoY/ down - 24% QoQ to ₹3,523mn.
- Customer deposits rose +23% YoY/ +5% QoQ to ₹2,691bn.
- Loan book witnessed healthy +20% YoY / +5% QoQ growth to ₹2,666bn.
- Asset quality improved sequentially with GNPA at 1.9% and NNPA at 0.5%.
- Return ratios for the bank have come off with RoA at 0.45% down – 12bps YoY and -8bps QoQ.
- MFI related stress is largely behind and asset quality trends likely to see further improvement in H2FY26.
- Credit cost for FY26 would be between 2.05 – 2.1%.

Important Statistics

Nifty	25,936
Sensex	84,628
Close* (₹)	79
M.CAP (₹ bn)	~₹678
52 Week H/L (₹)	80/52
NSE Code	IDFCFIRSTB
BSE Code	539437
Bloomberg Code	IDFCBK:IN

Close as on 28th October 2025*

Shareholding Pattern (%)	**Sep'25**
Promoters	-
FIIs	32.15
DII	30.13
Public & Others	37.72

Q2FY26 Result Update

- **Advances –**
  - Loans and advances during Q2FY26, witnessed +20% YoY/+5% QoQ increase to ₹2,666bn driven by growth in business finance book which was up +32% YoY/ +6% QoQ to ₹868bn while retail book rose by +15% YoY/ +5% QoQ to ₹1,798bn.
  - Within business book financing, corporate lending segment posted strong +45% YoY/ +7% QoQ growth to ₹527bn while business banking saw healthy +31% YoY/ +8% QoQ increase to ₹109bn. CV/CE financing was up +25% YoY/ +4% QoQ to ₹86bn.
  - In Q2FY26, loan against property segment witnessed robust traction growing at +23% YoY/ +5% QoQ to ₹320bn. Home loan financing remained flat on seqential basis at ₹271bn (up +6% YoY/ -1% QoQ). Vehicle financing book increased at a robust +28% YoY/ +12% QoQ to ₹302bn. Digital, Gold Loan and other segment combined were up +12% YoY/ +4% QoQ to ₹203bn. Rural finance remain muted this quarter as well, degrowing -9% YoY/ -2% QoQ to ₹235bn. Owing to challenges in the MFI segment, the business degrew -42% YoY to ₹73bn, and forms 2.7% of the overall funded asset book.
- **Deposits and Borrowings –**
  - Total deposits during the quarter witnessed a strong growth of +23% YoY/ +5% QoQ to ₹2,691bn. It was led by +27% YoY/ +9% QoQ increase in CASA Deposits to ₹1,386bn. Term deposits too grew at a robust pace of +20% YoY /+1% QoQ to ₹1,305bn.
  - Despite elevated competition for expanding deposit base, CASA ratio for the bank expanded +230bps YoY/ +280bps QoQ to 48.6%.
  - In CASA deposits, Current Account desposit base is fairly low and its share stands at 14%. Although it is growing, the management aims to grow it at an accelerated pace.
  - No savings account rate cuts have been undertaken so far. As the focus would be to maintain robust deposit growth momentum, any rate cut unlikely soon.
  - Blended cost of deposits stood at 5.85% in Q2FY26.
  - Certificate of deposits were up +38% YoY and down -6% QoQ to ₹77bn.

Financial

(₹ bn)

(₹ bn)	Q2FY26	% YoY	% QoQ
Home Loans	271	6%	-1%
Loan Against Property	320	23%	5%
Vehicle Loans	302	28%	12%
Consumer Loans	380	22%	8%
Rural Finance	235	-9%	-2%
Digital, Gold Loan and Others	203	12%	4%
Credit Card	86	36%	7%
Total Retail Book	**1,798**	**15%**	**5%**
Corporate Finance	527	45%	7%
Others	146	24%	3%
CV/CE Financing	86	25%	4%
Business Banking	109	31%	8%
Total Wholesale Book	**868**	**32%**	**6%**
Gross Advances	**2,666**	**20%**	**5%**

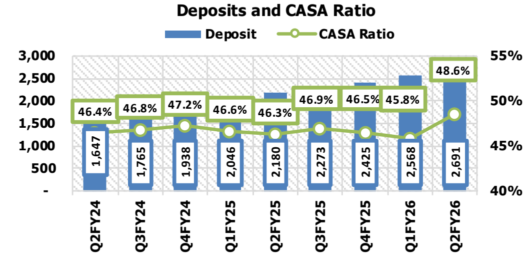
(₹ bn)	Q2FY26	% YoY	% QoQ
CASA Deposit	1,386	27%	9%
Term Deposit	1,305	20%	1%
Total Deposit	**2,691**	**23%**	**5%**
CASA Ratio (Reported)	49%	230	280

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
IDFC First Bank	**17%**	**39%**	**159%**
Nifty 50	6%	46%	123%
Sensex	6%	42%	114%

Source – Company, Way2Wealth Research

Deposits and CASA Ratio



Source – Company, Way2Wealth Research

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W2W Lighthouse - A Quick Perspective

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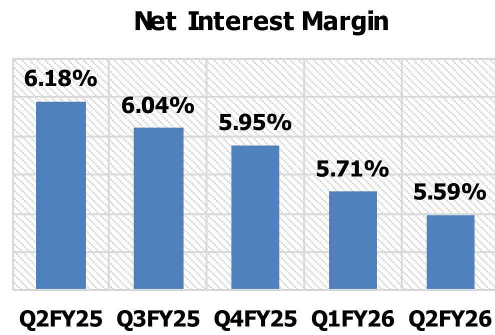
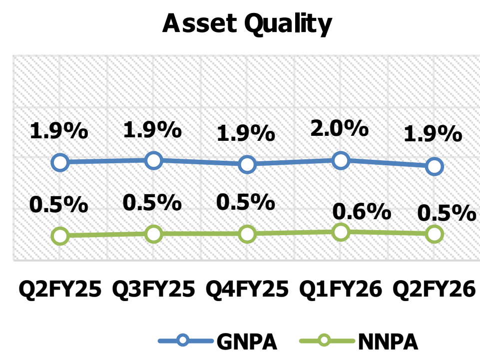
- **Profitability Metrics –**
  - IDFC First Bank witnessed Net interest income growth of +7% YoY/ +4% QoQ to ₹51.1bn with Net interest margin falling -59bps YoY/ -12bps QoQ to 5.59%. In Q2FY26 pressure on NIMs has largey bottomed out, the management expects improvement in 2HFY26 and to exit Q4FY26 at around 5.8%, even after assuming one more rate cut.
  - Interest income for the quarter was up +11% YoY/ +3% QoQ to ₹99.4bn. Interest expense grew at a pace of +16% YoY/+2% QoQ to ₹48.2bn, with cost of deposits moderating marginally to 6.22% from 6.37% in Q1FY26.
  - Fee and other income (including Trading gains) increased +10% YoY / -15% QoQ to ₹18.9bn, with 91% income coming from retail banking operations which remains granualar and sustainable. Contribution from loan origination fees and general banking fees was at 55% with rest 45% coming from credit card and FASTag, Wealth Management Third Party distribution and Trade and Client forex.
  - During the quarter, 25 new branches were added and operating expenses rose +13% YoY / +4% QoQ to ₹51.2bn. Resultanlty, core PPoP stood at ₹18.8bn up -4% YoY/ -16% QoQ.
  - Provisions for the quarter moderated to ₹14.5bn up -16% YoY/-12% QoQ.
  - Resultantly, PAT for the quarter was up +76% YoY/ -24% QoQ to ₹35.2bn.



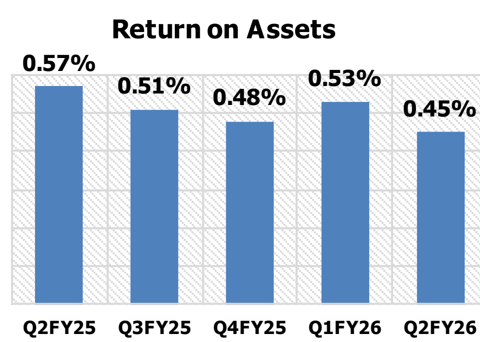
Source – Company, Way2Wealth Research

- **Asset Quality –**
  - Asset quality improved during the quarter with GNPA and NNPA coming in at 1.9% (down -6bps YoY/ -11bps QoQ) and 0.5% (up +4bps YoY/ -3bps QoQ) respectively.
  - Gross slippages during the quarter stood at ₹22.6bn as against ₹24.9bn in Q1FY26.
  - Credit cost for the bank in H1FY26, excluding microfinance, came higher at 2.03%. Looking at the trends, the management believe the MFI issue is largely behind and unlikely to further credit cost escalation. FY26 guidance for credit cost between 2.05-2.1% indicates a notable moderation in 2HFY26.
  - Provision coverage ratio remained stable at 72.2% in Q2FY26.



Source – Company, Way2Wealth Research

- **Return Ratios –**
  - During the quarter, return on assets moderated by -12bps YoY/ -8bps QoQ to 0.5%. Return on Equity came at 4.0% correcting -119bps YoY/ -88bps QoQ.



Source – Company, Way2Wealth Research

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View

IDFC First Bank Ltd. posted robust quarterly results with an upbeat management commentary. Stress in MFI book is largely behind and 2HFY26 would see improvement in this segment both on asset quality side as well as pick up in disbursements / growth momentum. Credit provisions worth ₹315cr were outlined for MFI stress, out of which only ₹75cr was utilized by now, thus with good visibility on delinquency trends and positive outlook, the management may utilize the remaining buffer provisions elsewhere. Data on segmental credit cost clearly shows that no other segment except MFI having elevated stress levels. Thus, with MFI issue resolved, the management is confident of going back to the normalized asset quality levels. Although 2QFY26 witnessed elevated overall credit cost, the guidance for FY26E between 2.05 – 2.1% indicates a notable moderation in 2HFY26. On the deposit front, while many other peers have undertaken Savings Account interest rate cut, IDFC First is holding back the decision, as it aims to continue with strong deposit growth momentum. While blended cost of deposits is currently at 5.85%, slowdown in deposit mobilisation rate may trigger a need for capital raise which may come at higher rate. As there are cash outflow commitments related to corporate bonds, the management has taken cautious decisions to hold onto current deposit rates. Overall, 2HFY26 looks more promising, keeping in view normalizing MFI issues, moderating impact of interest rate cut, healthy demand in anticipation of festive season and operating leverage in play. Hence, **we recommend HOLD, at CMP of ₹79, stock is trading at 1.3x FY27E P/Bk multiple.**

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Financial Performance

(₹ mn)

Particulars	Q2FY26	Q2FY25	YoY (%/bps)	Q1FY26	QoQ (%/bps)	1HFY26	1HFY25	YoY (%/bps)
Interest Income	99,369	89,569	11%	96,421	3%	1,95,790	1,77,455	10%
Interest Expense	48,243	41,691	16%	47,091	2%	95,334	82,628	15%
Net Interest Income	**51,126**	**47,879**	**7%**	**49,331**	**4%**	**1,00,456**	**94,828**	**6%**
Fee & Other Income	18,915	17,273	10%	22,268	-15%	41,183	33,465	23%
Operating Income	70,040	65,152	8%	71,599	-2%	1,41,639	1,28,292	10%
Operating Expense	51,239	45,533	13%	49,205	4%	1,00,445	89,849	12%
Operating Profit (PPOP)	**18,801**	**19,619**	**-4%**	**22,394**	**-16%**	**41,195**	**38,443**	**7%**
Provisions	14,519	17,319	-16%	16,591	-12%	31,110	27,263	14%
Profit Before Tax	**4,282**	**2,299**	**86%**	**5,803**	**-26%**	**10,085**	**11,180**	**-10%**
Tax	759	292	160%	1,177	-35%	1,936	2,366	-18%
Profit After Tax	**3,523**	**2,007**	**76%**	**4,626**	**-24%**	**8,149**	**8,813**	**-8%**
Dil. EPS	0.4	0.3	30%	0.6	-44%	1.0	1.2	-20%
CASA ratio	48.6%	46.3%	230 bps	45.8%	280 bps	48.6%	46.3%	230 bps
GNPA %	1.9%	1.9%	-6 bps	2.0%	-11 bps	1.9%	1.9%	-6 bps
NNPA %	0.5%	0.5%	4 bps	0.6%	-3 bps	0.5%	0.5%	4 bps
RoA	0.5%	0.6%	-12 bps	0.5%	-8 bps	0.5%	0.6%	-12 bps
Capital Adequacy Ratio	14.3%	16.4%	-202 bps	15.0%	-67 bps	14.3%	16.4%	-202 bps

Source – Company, Way2wealth Research

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Disclosure of Interest Statement Prasad Hase as on October 29, 2025

Name of the Security	IDFC First Bank Ltd.
Name of the analyst	Prasad Hase
Analysts' ownership of any stock related to the information contained Financial Interest Analyst : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	NIL No No No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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