

HDFC Bank Limited

Q3FY26 Result Update | Sector: Banks

January 21, 2026

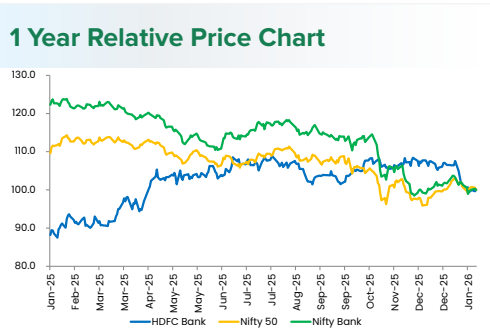
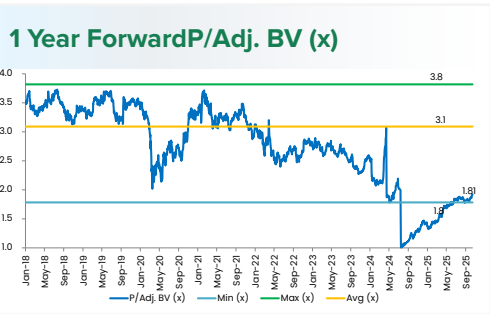




Current Market Price	920
Target Price	1,220
Upside	32.6%
Nifty	25,042
Sensex	81,525

Key Stock Data	
Company Name	HDFC Bank
BSE Code	500180
NSE Code	HDFCBANK
Bloomberg	HDFCB:IN
Shares O/S (Cr)	1,536.4
M.Cap (Rs.Cr)	14,13,460
3M Avg Vol	2,07,63,295
52 week H/L	1020/812
FV (Rs)	1.0

Shareholding Pattern			
	Mar-25	Jun-25	Sep-25
Promoter	-	-	-
FII	48.3	48.8	48.4
DII	35.7	35.8	36.1
Public	16.0	15.4	15.5



Steady performance: HDFC Bank delivered a steady Q3 FY26 performance, with net interest income (NII) rising 6.4% YoY to Rs. 32,600 crore, supported by balanced growth in advances and deposits. Other income grew 15.7% YoY to Rs. 13,300 crore, driven by strong traction in fees and commissions. Operating expenses (excluding the one-time labour code impact) increased a modest 5.1% YoY, reflecting disciplined cost control despite ongoing branch expansion and investments in distribution. Consequently, PAT rose 11.5% YoY to Rs. 18,700 crore, with ROA of 1.9% and ROE of 13.9%. Management reiterated its focus on sustaining growth momentum and leveraging its strong distribution franchise and customer base to drive operating efficiency over the medium term.

Loan growth gains traction with broad-based momentum: HDFC Bank's loan book witnessed a healthy pickup in Q3 FY26, with advances under management rising 9.8% YoY to Rs. 29.5 trillion (average basis: +9% YoY), supported by improving system liquidity and easing interest rates. Growth was broad-based across customer segments, with retail disbursements remaining strong, led by mortgages, credit cards, and personal loans, while the MSME segment continued to see robust demand, aided by export-oriented activity. On the corporate side, growth was driven largely by working capital requirements, as private capex remained selective. Management reiterated its strategy to grow in line with the system in FY26 and faster than the system from FY27 onwards, supported by a strong distribution network and improving funding availability.

Deposit growth remains healthy, driven by granular franchise: HDFC Bank reported healthy deposit growth in Q3 FY26, with total deposits rising 11.6% YoY to Rs. 28.6 trillion (average deposits up 12.2% YoY), supported by strong traction across granular customer segments. Term deposits grew 12.3% YoY to Rs. 19 trillion, reflecting continued focus on stable and diversified funding. CASA balances remained resilient, with current account deposits at Rs. 3.0 trillion (+12.1% YoY) and savings deposits at Rs. 6.6 trillion (+9.3% YoY), underpinned by steady customer acquisition. The bank added 1.5 million new liability relationships during the quarter, taking the total customer base to 100.4 million, reinforcing the strength of its distribution-led deposit franchise. Management remains confident of sustaining deposit growth ahead of system over the medium term through branch expansion and cross-selling.

Net interest margins show sequential improvement with scope for gradual recovery: HDFC Bank's NIMs improved 8 bps QoQ to 3.35% in Q3 FY26 (3.51% on interest-earning assets), reflecting easing cost of funds and faster repricing of assets, while deposit repricing continued to lag. Management highlighted that around 100 bps of the 125 bps policy rate cuts are already reflected in asset yields, whereas only ~80 bps has flowed through on deposit rates so far, implying further benefit over the next few quarters. The bank also expects improvement from a better CASA mix and normalization of borrowings, which currently form about 13% of liabilities. Overall, management remains optimistic on gradual margin recovery over the medium term as time deposit repricing and funding mix improvements play out.

Asset quality remains stable with controlled credit costs: Bank's asset quality remained stable in Q3 FY26, supported by benign macro conditions and strong collection performance. The GNPA ratio stood at 1.24%, flat QoQ and improved from 1.42% YoY, while net NPAs remained stable at ~0.42%. Excluding the agricultural portfolio, GNPA was lower at 0.97%, reflecting resilience across core retail and corporate segments. Slippages were contained at 29 bps (24 bps excluding agri). Credit costs (excluding provision releases) stood at ~55 bps, slightly higher QoQ, driven largely by seasonal agri trends. Management expects asset quality to remain broadly stable, with credit costs normalising over the medium term as portfolio seasoning improves.

Valuation and outlook: HDFC Bank's Q3 FY26 performance reflects steady earnings momentum, supported by improving loan growth, healthy deposit traction, and stable asset quality. Sequential margin improvement and disciplined cost control enhance medium-term profitability visibility. Management's guidance to grow in line with the system in FY26 and faster from FY27, backed by a strong distribution franchise and granular deposit base, underpins sustained earnings growth. We maintain a **BUY** rating with a target price of **Rs. 1,220**, valuing the bank at 2.5x FY27E adjusted book value, supported by its robust franchise and consistent execution.

Financial Summary - Standalone				
Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Interest earned	2,58,341	3,00,517	3,22,362	3,86,132
Interest expended	1,49,808	1,77,847	1,77,963	2,08,147
Net interest income	1,08,532	1,22,670	1,44,399	1,77,986
Operating profit before provisions	94,387	1,00,127	1,22,571	1,56,012
Profit after tax	60,812	67,347	80,042	1,02,224
EPS (Rs.)	80.0	88.3	52.1	66.5
BVPS (Rs.)	580.0	638.9	378.5	445.0
Adj. BVPS (Rs.)	539.0	609.2	352.3	414.6
P/Adj. BV (x)	1.7	1.5	2.6	2.2
RoA (%)	2.0	1.7	1.8	2.0
RoE (%)	16.1	13.8	13.8	15.0
Source : RBL Research				

Research Analyst

Rajan Gupta

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Concall Highlights:

- » **Macro environment supportive:** Management highlighted improving consumption trends across urban and rural markets, aided by lower interest rates, higher government spending and resilient services exports, with FY26 GDP growth expected at 7.4%.
- » **Loan growth gaining traction:** Advances under management grew 9.8% YoY to ₹29.5 trillion, with broad-based momentum across retail (mortgages, cards, personal loans), MSMEs and working capital-led corporate lending.
- » **Strong deposit franchise:** Deposits rose 11.6% YoY to ₹28.6 trillion, driven by granular customer segments, with the bank adding 1.5 million new liability relationships and total customers reaching 100.4 million.
- » **Sequential margin improvement:** NIMs improved 8 bps QoQ to 3.35%, with management highlighting further upside as time deposit repricing (only ~80 bps of 125 bps cuts passed through) and borrowing mix normalisation play out.
- » **Cost discipline intact:** Operating expenses (ex-labour code impact) grew a modest 5.1% YoY, keeping the core cost-to-income ratio at a healthy 39.2% despite continued branch expansion.
- » **Asset quality stable:** GNPA stood at 1.24% (0.97% excluding agri), with slippages contained at 29 bps and credit costs at ~55 bps, largely driven by seasonal agri trends.
- » **Growth outlook constructive:** Management reiterated plans to grow in line with the system in FY26 and faster than the system from FY27, supported by distribution scale, customer cross-sell and improving funding availability.

Quarterly performance - Standalone

Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Interest earned	76,751	76,007	1.0	76,691	0.1
Interest expended	44,136	45,354	(2.7)	45,139	(2.2)
Net interest income	32,615	30,653	6.4	31,551	3.4
Other income	13,254	11,454	15.7	14,350	(7.6)
Employee cost	7,203	5,950	21.1	6,461	11.5
Other operating expenses	11,568	11,156	3.7	11,517	0.4
Operating profit before provisions	27,098	25,001	8.4	27,924	(3.0)
Operating margin (%)	35.3	32.9	241bps	36.4	-110bps
Provisions and contingencies	2,838	3,154	(10.0)	3,501	(18.9)
Profit before tax	24,260	21,847	11.0	24,423	(0.7)
Tax	5,606	5,111	9.7	5,782	(3.0)
Tax rate (%)	23.1	23.4	-29bps	23.7	-57bps
Profit after tax	18,654	16,736	11.5	18,641	0.1
PAT margin (%)	24.3	22.0	229bps	24.3	0bps
EPS (Rs)	12.1	21.9	(44.6)	12.1	(0.1)

Source : RBL Research

Net interest income increased by 6.4% YoY.

PAT increased by 11.5% YoY.

Segments - Standalone					
Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Revenue from operations					
Treasury	18,149	15,427	17.6	20,609	(11.9)
Retail Banking	76,320	71,974	6.0	75,585	1.0
Wholesale Banking	42,764	47,683	(10.3)	42,308	1.1
Other Banking	9,548	9,165	4.2	9,334	2.3
Profit before tax					
Treasury	2,228	925	140.9	4,213	(47.1)
Retail Banking	8,648	6,423	34.6	9,099	(5.0)
Wholesale Banking	10,928	11,497	(4.9)	8,923	22.5
Other Banking	3,047	3,588	(15.1)	2,790	9.2
Source : RBL Research					

Business parameters - Standalone					
Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Advances (Rs Bn)	28,445	25,426	11.9	27,691	2.72
Deposits (Rs Bn)	28,766	25,638	12.2	28,787	(0.07)
New branches (Abs)	71	51	39.2	46	54.3
Credit to deposits ratio (%)	98.9	99.2	-29bps	96.2	269bps
RoA (%)	1.9	1.9	2bps	1.9	2bps
RoE (%)	13.9	14.1	-20bps	12.2	170bps
NIM (%)	3.35	3.43	-8bps	3.27	8bps
Cost to income ratio (%)	39.2	40.6	-140bps	39.2	0bps
Yield on assets	7.8	8.3	-50bps	7.8	0bps
Cost of funds (incl. shareholders funds)	4.5	4.9	-40bps	4.6	-10bps
Source : RBL Research					

Asset quality - Standalone					
Particulars, INR Cr	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Gross NPA	35,179	36,019	(2.3)	34,289	2.6
Net NPA	11,982	11,588	3.4	11,447	4.7
Gross NPA (%)	1.24	1.42	-18bps	1.24	0bps
Net NPA (%)	0.42	0.46	-4bps	0.42	0bps
Source : RBL Research					

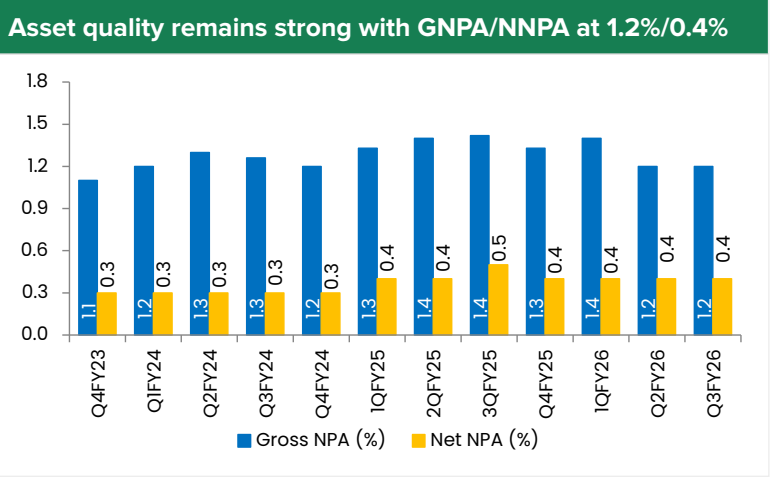
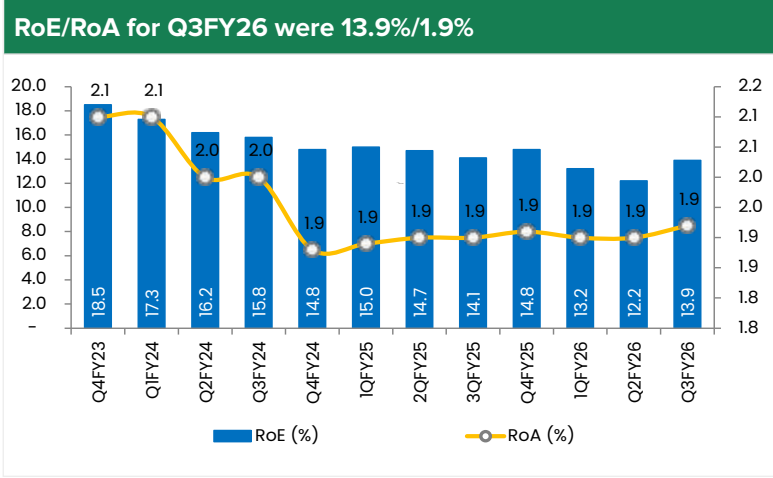
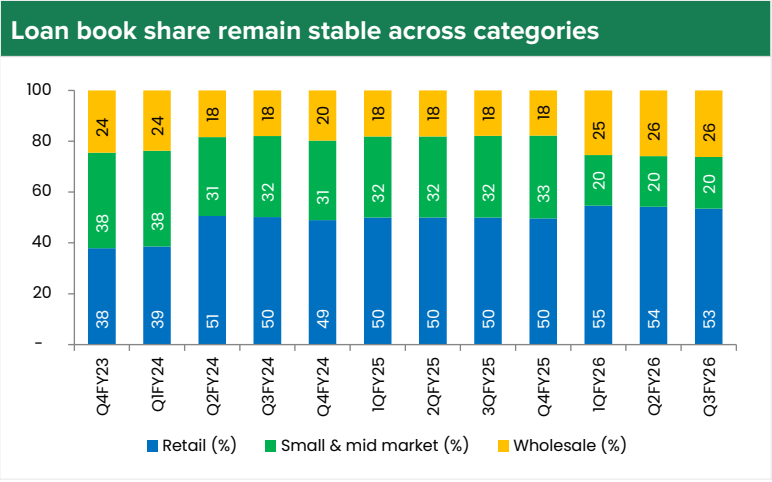
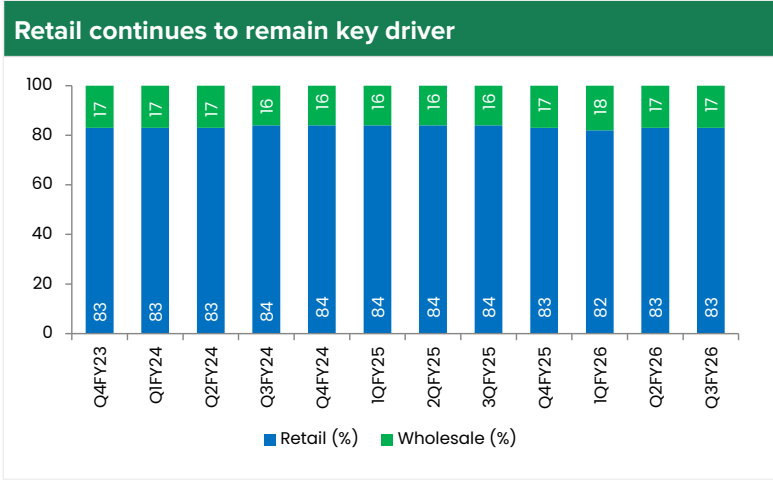
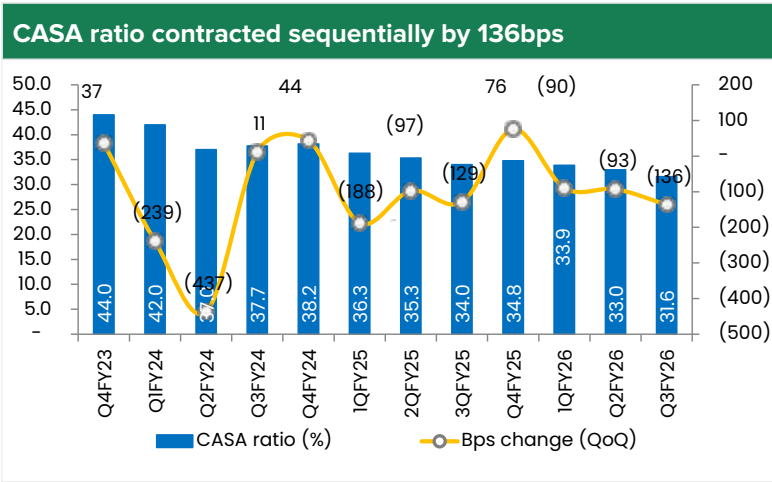
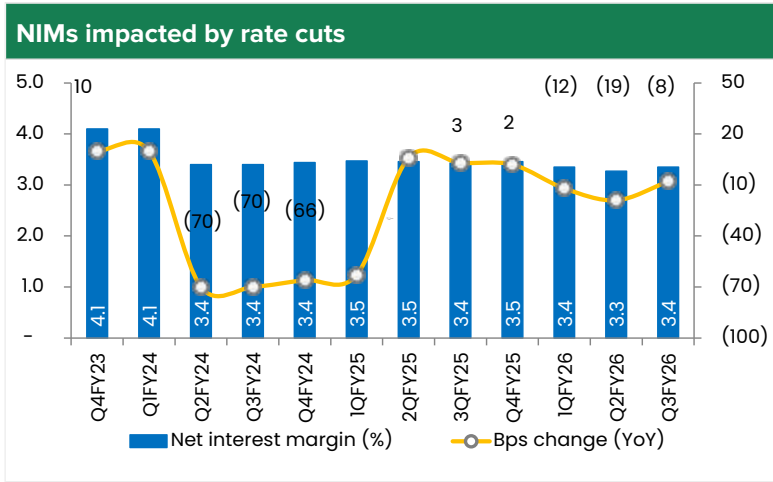
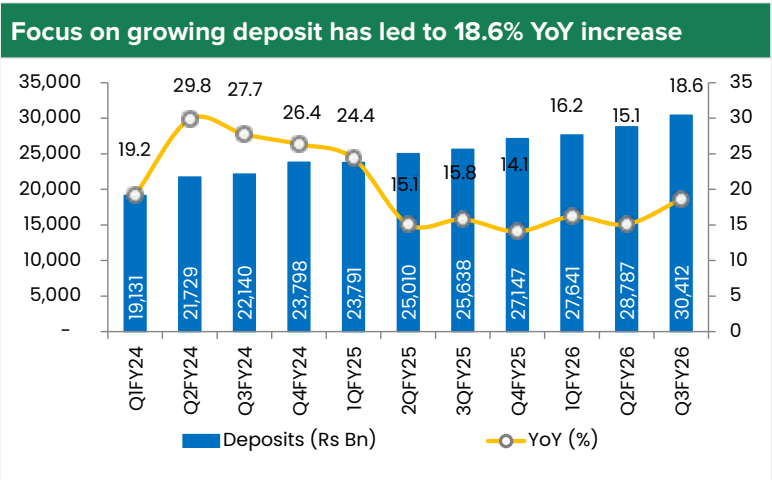
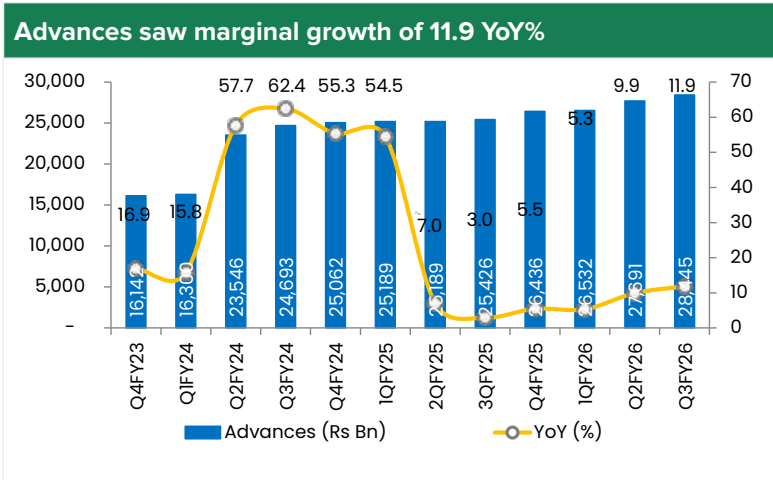
Deposit growth was muted.

NIMs margins faced contraction due to recent rate cuts.

Asset quality continues to remain stable.

Loans and Deposits Mix					
Particulars	Q3FY26	Q3FY25	YoY (bps)	Q2FY26	QoQ (bps)
Loan mix					
Retail mix	53.0	56.0	-300	57.0	-400
Wholesale mix	47.0	44.0	300	43.0	400
Deposits mix					
SA mix	21.8	25.1	-331	23.1	-136
CA mix	9.8	11.2	-139	10.8	-93
CASA ratio (%)	33.0	36.3	-333	33.9	-93
Source : RBL Research					

Story in Charts



Source: RBL Research

Income Statement - Standalone				
Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Interest earned	2,58,341	3,00,517	3,22,362	3,86,132
Interest expended	1,49,808	1,77,847	1,77,963	2,08,147
Net interest income	1,08,532	1,22,670	1,44,399	1,77,986
Other income	49,241	45,632	53,846	63,538
Total income	1,57,773	1,68,302	1,98,245	2,41,524
Employee cost	22,240	23,901	26,530	29,978
Other operating expenses	41,146	44,275	49,145	55,534
Operating expenses	63,386	68,175	75,675	85,512
Operating profit before provisions	94,387	1,00,127	1,22,571	1,56,012
Provisions and contingencies	23,492	11,649	16,550	20,610
Profit before tax	70,895	88,477	1,06,020	1,35,402
Tax	10,083	21,131	25,979	33,178
Tax rate (%)	14.2	23.9	24.5	24.5
Profit after tax	60,812	67,347	80,042	1,02,224
EPS (Rs.)	80.0	88.3	52.1	66.5

Source: RBL Research

Balance Sheet - Standalone				
Particulars, INR Cr	FY24	FY25	FY26E	FY27E
Equity share capital	760	765	1,536	1,536
Reserves and Surplus	4,39,486	5,00,659	5,79,930	6,82,154
Net worth	4,40,246	5,01,425	5,81,466	6,83,690
Deposits	23,79,786	27,14,715	32,03,346	37,15,881
Borrowings	6,62,153	5,47,931	5,83,091	6,20,507
Other liabilities and Provisions	1,35,438	1,46,129	1,62,427	1,80,543
Total equity and liabilities	36,17,623	39,10,199	45,35,485	52,05,777
Cash and bank balance	1,78,683	1,44,355	1,93,816	1,54,302
Investments	7,02,415	8,36,360	10,20,359	12,44,838
Advances	24,84,862	26,19,609	30,09,165	34,34,922
Fixed assets	11,399	13,655	16,488	18,340
Other assets	1,99,800	2,01,005	2,95,658	3,53,375
Total assets	36,17,623	39,10,199	45,35,485	52,05,777
BVPS (Rs.)	580.0	638.9	378.5	445.0
Adj. BVPS (Rs.)	539.0	609.2	352.3	414.6

Source: RBL Research

Business and Efficiency Ratios (%)				
Particulars	FY24	FY25	FY26E	FY27E
Loans/Deposit	104.4	96.5	93.9	92.4
CASA ratio	38.2	34.8	35.9	37.8
Cost/Assets	1.8	1.7	1.7	1.6
Interest expense/Interest income	58.0	59.2	55.2	53.9
Investment/Deposit Ratio	29.5	30.8	31.9	33.5
Employee cost/Total expense	35.1	35.1	35.1	35.1

Source: RBL Research

Asset Quality				
Particulars, INR Cr	FY24	FY25	FY26E	FY27E
GNPA	31,173	35,223	40,174	46,701
NNPA	8,091	11,320	9,465	10,309
Slippages	30,376	36,675	45,137	51,524
GNPA (%)	1.2	1.3	1.3	1.4
NNPA (%)	0.3	0.4	0.3	0.3
Slippages (%)	1.2	1.4	1.5	1.5
Provision coverage ratio (%)	74.0	67.9	76.4	77.9
Credit cost (%)	0.9	0.4	0.6	0.6
Source: RBL Research				

Yields and Cost Ratio (%)				
Particulars	FY24	FY25	FY26E	FY27E
Yields on interest earning assets	8.1	8.3	8.0	8.3
Cost of deposits	4.9	4.9	4.7	4.8
Interest spread	3.2	3.4	3.3	3.5
RoA	2.0	1.7	1.8	2.0
RoE	16.1	13.8	13.8	15.0
Net interest margin	3.4	3.5	3.6	3.8
Source: RBL Research				

Valuations (x)				
Particulars	FY24	FY25	FY26E	FY27E
P/E	11.5	10.4	17.7	13.8
P/BV	1.6	1.4	2.4	2.1
P/Adj. BV	1.7	1.5	2.6	2.2
Dividend per share (Rs.)	19.7	20.8	21.9	22.0
Dividend yield (%)	2.1	2.3	2.4	2.4
Source: RBL Research				

Growth Ratios				
Particulars (%)	FY24	FY25	FY26E	FY27E
Interest earned	19.3	16.3	7.3	19.8
Other income	36.3	(7.3)	18.0	18.0
Total income	21.7	12.5	8.7	19.5
Interest expended	35.3	18.7	0.1	17.0
Net interest income	2.5	13.0	17.7	23.3
Operating profit before provisions	2.7	6.1	22.4	27.3
Profit after tax	1.3	10.7	18.9	27.7
Advances	55.2	5.4	14.9	14.1
Deposits	26.4	14.1	18.0	16.0

Source: RBL Research

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Ratings Methodology

Ratings	Upside
Buy	More than 15%
Accumulate	5% - 15%
Hold	0% - 5%
Sell	Below 0%

Note: RBL Investment ratings (All ratings based on absolute return; All ratings and target price refers to 12 month performance horizon, unless mentioned otherwise).

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S No.	Statement	Answer	
		Tick Appropriate	
		Yes	No
1.	I/we or any of my/our relative has any financial interest in the subject company? (If answer is yes, nature of interest is given below this table)		No
2.	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of the research report or date of the public appearance?		No
3.	I/we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of the public appearance?		
4.	I/we have received any compensation from the subject company in the past twelve months?		No
5.	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
6.	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
7.	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
8.	I/we have served as an officer, director or employee of the subject company?		No
9.	I/we have been engaged in market making activity for the subject company?		No

2014 is/are as under:

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Nature of Interest [If answer to f (a) above conflicts is Yes]

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to

S. No.	Name of RA	Signature of RA	Serial Question of question which the signing RA needs to make a separate declaration	Answer	Answer

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