Banks see strong deposit growth in Q3 outpaced by rapid credit expansion

HDFC Bank's C/D ratio surges to 99.5%

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A number of commercial banks have reported double-digit growth in loans and deposits on a year-on-year basis for the October–December quarter (Q3FY26), signalling a revival in credit demand following a cumulative 125-basis-point reduction in the policy repo rate by the Reserve Bank of India (RBI) during 2025.

Loan growth for most lenders, during the period under review, outpaced deposit accretion, indicating that challenges around resource mobilisation are likely to persist into 2026.

HDFC Bank, the country's largest private-sector lender, reported nearly 12 per cent year-on-year growth in advances to ₹28.44 trillion in Q3FY26; deposits rose 11.5 per cent to ₹28.59 trillion. After several quarters, its loan growth exceeded deposit growth.

During the quarter, the bank mobilised ₹57,700 crore of deposits, while credit disbursements expanded by ₹75,300 crore. As a result, its credit-deposit (C/D) ratio rose to 99.5 per cent, up 65 basis points sequentially from 98.8 per cent.

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Lender status

Business updates as on Dec 31, 2025

Growth (% Y-o-Y)

Banks	Deposits	Advances
HDFC Bank	11.5	11.9
Punjab National Bank	8.3	10.2
Bank of Baroda	11.1	13.5
Union Bank of India	3.4	7.4
Kotak Mahindra Bank*	14.6	15
Central Bank of India	13.2	19.6
IDBI Bank*	9	15
Bank of Maharashtra	15.3	19.6
Yes Bank	5.5	5.2
Bandhan Bank	11.1	10
AU Small Finance Bank	23.3	24

*Net advances

Source: Exchange filing

Banks see strong deposit growth in Q3, outpaced by rapid credit expansion

On the rise

HDFC Bank's credit-deposit metrics

	Advances	% Y-o-Y	Deposits	% Y-o-Y	CD ratio (%)
Q4FY25	26.43	5.4	27.14	14.1	97.38
Q1FY26	26.53	6.7	27.64	16.2	95.98
Q2FY26	27.69	9.9	28.01	12.1	98.8
Q3FY26	28.44	11.9	28.59	11.5	99.5

Amount in ₹ trn

Source: HDFC Bank

HDFC Bank has been steadily bringing down its elevated CD ratio following its merger with erstwhile mortgage lender HDFC Ltd, which became effective in July 2023. Following the amalgamation, the CD ratio had crossed 110 per cent, compared with an average of around 85 per cent prior to the merger.

To address the spike, the bank deliberately moderated credit growth in FY25. It has guided that growth will broadly track the banking system in FY26, before accelerating to outpace system-wide expansion and gain market share in FY27.

In the current environment, when HDFC Bank says it wants to grow above system levels in FY27, there is "no way" it will be even close to 90 per cent, because practically it is "a near-impossible equation" to achieve, said Suresh Ganapathy, head of financial services research at Macquarie Capital. "We expect the increase in the loan-deposit ratio to provide some cushion to margins in the near term, against loan repricing on account of rate cuts."

Despite the strong business performance, HDFC Bank shares fell 2.35 per cent to close at ₹977.70 on Monday, while the broader indices declined just 0.4 per cent.

"Business numbers are good. Maybe some foreign portfolio investors booked profits on the good news. There could also have been concerns around the higher credit-deposit ratio. A higher CD ratio indicates that deposit growth is not commensurate with credit demand. Ideally, the CD ratio should be in the range of 70-80 per cent. If it is above 80 per cent, it suggests excessive lending, which could lead to higher stressed assets in future if not backed by deposits," said Chokklaingm G, founder of Equinomics. The banking system's CD ratio is now at an all-time high of more than 81 per cent, as the gap between loan growth and deposit growth continues to widen.

HDFC Bank reported average growth of 9.9 per cent in current account and savings account (CASA) deposits, which stood at ₹8.98 trillion.

Among other private lenders, Kotak Mahindra Bank reported 16 per cent year-on-year growth in net advances to ₹4.80 trillion, while deposits rose 14.6 per cent to ₹5.42 trillion. Yes Bank posted 5.2 per cent growth in advances to ₹2.56 trillion, with deposits increasing 5.5 per cent to ₹2.92 trillion. Bandhan Bank's advances grew 10 per cent to ₹1.45 trillion, while total deposits rose 11.1 per cent to ₹1.57 trillion. However, its CASA deposits declined 4.5 per cent to ₹42,730 crore.

According to a recent report by Systematix Institutional Equities, "...healthy advances growth momentum has been sustained, while stress in the unsecured segment continues to moderate. Going forward, we expect growth in advances to remain strong, driven by lower interest rates, benefits from GST rate reductions, and higher tax limits."

Among PSBs, most — barring a few — reported double-digit growth in both advances and deposits. Bank of Baroda reported 11.13 per cent year-on-year growth in deposits to ₹13.07 trillion, while advances rose 13.54 per cent to ₹10.95 trillion. Domestic retail advances increased 17.30 per cent to ₹2.85 trillion.

Union Bank of India's growth lagged peers, with loans rising 7.4 per cent year-on-year and deposits increasing 3.35 per cent. Central Bank of India reported a 13.23 per cent rise in total deposits to ₹4.50 trillion as on December 31, 2025, with CASA deposits up 8.53 per cent to ₹2.12 trillion. Advances grew 19.6 per cent to ₹3.24 trillion.

At Bank of Maharashtra, total deposits rose 15.40 per cent to ₹3.23 trillion, while CASA deposits increased 15.93 per cent to ₹1.60 trillion. Global advances grew 19.6 per cent to ₹2.73 trillion, and domestic corporate advances rose 14.5 per cent to ₹98,618 crore.

AU Small Finance Bank reported 23.3 per cent year-on-year growth in deposits to ₹1.38 trillion. Gross advances surged 24 per cent to ₹1.25 trillion, while the gross loan portfolio stood at ₹1.30 trillion as of December 31, 2025, reflecting a 19.3 per cent increase.

With inputs from Sundar Sethuraman

(Disclosure: Entities controlled by the Kotak family have a significant holding in Business Standard Pvt Ltd)

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