

# Wholesale credit surges for private banks in Dec qtr

Signals that corporates are returning to the loan market

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Major private lenders — including HDFC Bank, ICICI Bank, Axis Bank and Kotak Mahindra Bank — reported strong growth in their wholesale books during Q3FY26. This implies that corporates are returning to the loan market as the rate differential between bank loans and corporate bonds has narrowed.

Bankers said much of the corporate lending is occurring at external benchmark-linked rates (EBLR), where monetary transmission is faster.

HDFC Bank, the country's largest private-sector lender, reported 10.3 per cent year-on-year (Y-o-Y) growth and 4.1 per cent sequential growth in its wholesale loan book. ICICI Bank, the second-largest lender, posted 6.5 per cent sequential growth and 5.6 per cent Y-o-Y growth in its wholesale book.

Axis Bank, the third-largest private-sector lender, reported the strongest corporate loan growth, at 27 per cent Y-o-Y and 7 per cent sequentially. Additionally, Kotak Mahindra Bank reported 17 per cent Y-o-Y surge and 4 per cent sequential growth in its corporate book.

Reserve Bank of India (RBI) data also suggests a sharp pick up in corporate credit growth, with credit to industry growing 9.6 per cent as of November 2025, compared with 8.3 per cent in the same fortnight last year.

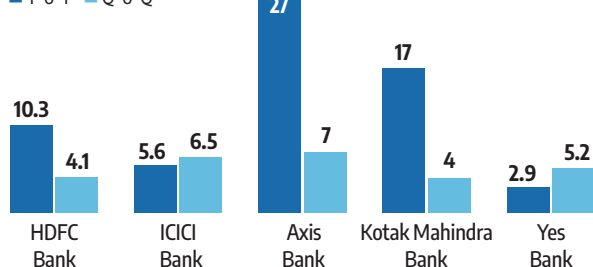
According to Anindya Banerjee, chief financial officer (CFO), ICICI Bank, one of the things that changed maybe relative to the past couple of quarters is the kind of settling of the benchmark. "It is because a lot of lending is happening at the external benchmark-linked rates. So, settling of the benchmark gives us more confidence to price and lend... Corporates are well-funded and have multiple sources of funding, to the extent that they are accessing



## Banks' Q3 wholesale books

(in %)

■ Y-o-Y ■ Q-o-Q



Source: Investor Presentation

bank funding. We are very happy to participate. It has been very price competitive. So, we do look at the overall relationship with the corporate. And, wherever we have a franchise and we want to build a franchise, we do participate quite actively," he added.

An SBI Research report highlighted that owing to a higher decline in bank lending rate commensurate with the corporate bond yield, the pricing gap has narrowed down. This is making corporates shift back to banks for loans with bank credit now being more lucrative than market borrowing. According to the report, the spread between AAA 10-year corporate bond yield and weighted average lending rate (WALR) has declined from 200 basis points (bps) in April 2024 to 150 bps in November 2025.

The reduction in pricing arbitrage between bank loans and bond market, leading to a shift towards bank loans, is more visible in higher-rated corporates. Market sources said that risk premia over and above core funding cost is not fairly acknowledging the inherent credit risk. For example, short tenor working capital loans of less than 1 year are given even with finer rates at lower than 6 per cent, linking with 1-month/3-month treasury bill rates. More than 1-year

loans are being priced at around 6.5 per cent. Second, with 65 per cent of loans EBLR-benchmarked, transmission to bank lending rates has been swift with WALR on fresh rupee loans declining 62 bps in 2025 to 8.71 per cent in November 2025, the report said.

Subrat Mohanty, executive director, Axis Bank, said, "We are seeing good positive momentum in real estate; power; and some of the large conglomerates that we have a relationship with. We are getting more than our natural market share, more than our usual wallet share because of the relationship that we have built over the last three years." He added the nature of loans, including term loans, working capital loans, and refinancing.

"We have been consistently growing the wholesale business. But the larger part of growth is coming in the small and medium enterprise, and mid-market segments. Some of the larger borrowers keep moving (between loan and bond market) depending on which gives them better pricing opportunity. As a bank, we also keep participating in some of their capital market issuances in the form of commercial papers or non-convertible debentures," said Paritosh Kashyap, executive director, Kotak Mahindra Bank.