BANKING MONTHLY

AUGUST 2026

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Prevailing Rates

I. Policy Rates

Repo Rate	5.25%
Reverse Repo Rate	3.35%
Standing Deposit Facility Rate	5.00%
Marginal Standing Facility Rate	5.50%
Bank Rate	5.50%

II. Lending/Deposit Rates

Base Rate	8.40% -10.0%
MCLR Rate (Overnight)	7.80% -8.00%
Savings Deposit Rate	2.50%
Term Deposit Rate > 1 Year	6.00% -6.75%

III. Reserve Ratio

CRR	3.00%
SLR	18.00%

Global Banking:

Japan's economy slows, missing growth forecasts

Japan's economy slowed in the second quarter of the year amid moribund consumption and capital spending, according to official figures. GDP grew 0.3% in the April-June period from the first quarter, data released by Japan's Cabinet Office. It was the third consecutive expansion but was down from 0.5% growth in the previous quarter and missed the 0.5% growth analysts had forecast. On an annualised basis, the world's fourth-largest economy expanded 1.1%.

Our Comments:

The weaker-than-expected growth figures could complicate the Bank of Japan's upcoming decision on interest rates, as it pushes ahead with normalising monetary policy after decades of ultra-low and negative borrowing costs. Japan's Central Bank began to move away from its ultra-loose monetary policy in 2024 when it announced its first-rate hike since the 2008 global financial crisis. An interest rate hike in September could help alleviate the chronic weakness of the yen by reducing the large gap in borrowing costs between Japan and other major economies, especially the US.

China's economy showing signs that slowdown may be extending

China's economy is showing signs of extending slowdown with a slump in industrial output and retail sales in July. After its lowest quarterly growth readings on record in the three months to June, the latest figures suggest it continued to falter in July. The NBS said extreme weather, including high temperatures and heavy rainfall, had disrupted market supply and demand. The latest snapshot, however is likely to increase pressure on policymakers to accelerate plans for tax and spending measures to support activity.

Our Comments:

Currently, the problem of insufficient domestic demand remains prominent, some industries and enterprises are facing increasing difficulties, and uncertainties in external environment are rising.

Iran's economy in crisis as US launches new sanctions campaign

For many Iranians, the new US sanctions campaign, called Operation Economic Outcast, seems superfluous given the grim economic situation in their country. Iranians are facing runaway food inflation, closed petrol stations and a seemingly never-ending depreciation of the nation's currency caused by a lack of foreign exchange reserves. The cratering economy leaves the country's political class on edge as they try to prevent economic conditions leading to social chaos.

Our Comments:

Inside the government, anxious discussions have been under way for weeks about increasing the price of oil to reduce costly subsidies, but the political class know from past experience that there could be significant pushback.

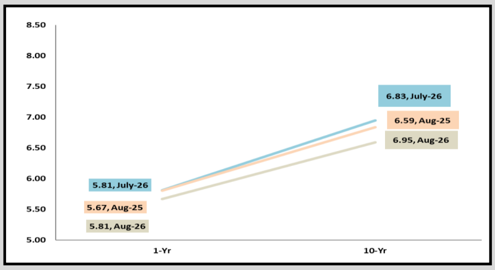
AI could cause global economic downturn; BOE governor tells G20

The Bank of England's Governor, Andrew Bailey, has joined the throng of figures warning about the global risks posed by the most advanced artificial intelligence technology. In a two-page letter sent to international Finance Ministers and Central Bank Governors, Bailey said frontier AI models were showing increasingly sophisticated autonomy and problem-solving abilities, as well as threat capabilities. He said the models risked de-stabilising the highly interconnected global financial system via cyber-disruption that can spread across jurisdictions.

Our Comments:

Bailey called on those tasked with safeguarding the world's financial systems to prioritise appropriate steps to support safe and responsible model release and deployment on a global basis.

Exhibit 1: 1 Year Yield v/s 10 Year Yield



Source: Investing.com, Progressive Research

Indian Economy:

MPC Meeting- August 2026

RBI's Monetary Policy Committee (MPC) met from 03rd -05th August, 2026 to announce the third bi-monthly policy of FY27 amid global uncertainty and volatility linked to the continuing conflict in West Asia. The committee unanimously decided to keep the repo rate unchanged at 5.25%, and has maintained the Neutral stance.

RBI keeps repo rate unchanged at 5.25% and maintained the stance at Neutral; reverse repo rate remains unchanged at 3.35%.

Highlights of Monetary Policy:

· **Repo Rate:** 5.25% (5.25% in June 2026)

· **Reverse Repo Rate:** 3.35% (3.35% in June 2026)

· **Standing Deposit Facility:** stands unchanged at 5.0%

· **Bank Rate:** 5.50% (5.50% in June 2026)

· **MSF:** 5.50% (5.50% in June 2026)

· **GDP Projection:** Real GDP growth for FY27 is projected at 6.7%. Q1FY27 at 6.6%, Q2FY27 at 6.3%, Q3FY27 at 6.5% and Q4FY27 at 6.8%

· **CPI Inflation:** CPI forecast for FY27 is projected at 5%. Q1FY27 at 5.3%, Q2FY27 at 4.7%, Q3FY27 at 5.9% and Q4FY27 at 5.5%

Our View:

In the midst of global uncertainties and inflationary pressures remaining elevated, most economists expected the six-member rate-setting panel to maintain a cautious stance despite the resilience shown by the Indian economy. The MPC outcome was on expected lines with **rates kept unchanged** and **stance** remaining **Neutral**. The decision underscores the Central Bank's balanced approach of supporting economic growth while remaining watchful of the evolving global and domestic risks. Global growth is expected to slow, while inflation is projected to remain elevated in 2026, and uncertainty has increased as some Central Banks have tightened monetary policy while others have remained cautious. Crude oil prices, currencies and financial markets, continue to fluctuate with developments in the conflict. Encouraging was seeing the raised **GDP** growth from 6.6% to 6.7% for FY27. The RBI said headline **inflation** is expected to rise further in the near term and peak in the third quarter of FY27, before moderating later in the financial year. CPI inflation is chalked at 5% for FY27. The **domestic** activities have remained **resilient**, but concerns over monsoons and West Asia uncertainty were highlighted in the speech; building cautious view with a **hazy outlook**. Overall, while as an economy we have been strong and better than most of the other economies in terms of consistency; **vigilance** and **cautious** approach towards growth needs to be maintained going forward.

FINAL VERDICT			
MPC Meetings	**REPO**	**REVERSE**	**CURRENT STANCE**
August 2026	*5.25%*	*3.35%*	**Retained the Neutral Stance**
June 2026	**5.25%**	**3.35%**	

Indian Economy:

India negotiating FTAs with 8-9 more blocs, aims to cover 75% of global trade: Piyush Goyal

India is actively pursuing free trade agreements with various nations, aiming to cover about 75% of the global trade landscape, Trade Minister Piyush Goyal said. With existing arrangements already covering an astounding USD70tn of the global economy, this expansion enhances India's reputation as a reliable player in international value chains. Moreover, there are significant investment opportunities in cutting-edge fields like data centers and artificial intelligence.

Our Comments:

India has a large domestic market and it opens its doors to the world with nine free trade agreements signed in the last four years. These nine agreements cover economies with a combined GDP of USD60tn and 38 developed countries. Increasing economic ties should lead towards balanced trade between India and Japan.

India's GDP growth at 7.8% in Q1, slower than last quarter but quicker than last year

The growth in India's GDP stood at 7.8% in Q1FY27, quicker than the 6.9% recorded in Q1 of last year, but slower than the 8.6% of the January-March 2026 quarter. The average growth in the first two quarters of CY26, which faced disruptions due to the US-Iran war, stands at 8.2%. This is well above the average growth of around 7.4% recorded in the previous 10 quarters.

Our Comments:

Reforms undertaken by the government have helped in maintaining the growth momentum. The performance has been driven by manufacturing, as well as some broad service categories such as utilities, financial services, real estate, IT and public admin and defence.

Coverage News:

ICICI Bank doubles overseas borrowing limit to USD5bn

The Board has approved doubling the limit for overseas borrowings to USD5bn, as the country's second-largest private lender ramps up fundraising in international markets. Indian banks have accelerated overseas fundraising after the RBI brought forward the closure of a foreign-exchange swap facility to August 31 from the end of September.

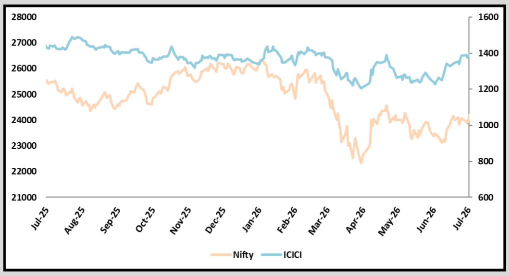
Our Comments:

ICICI Bank has already raised USD2.05bn through dollar debt in the past month, the most among Indian banks since the RBI announced the swap window in early June. It further raised USD750mn through five-year dollar bonds, its third dollar fundraising in a month.

ICICI Bank prices its USD1bn 5-year senior notes at 5.41%

The bank has priced its USD1bn five-year senior unsecured fixed rate notes due 2031 at 5.41%. ICICI Bank said its Notes issuance is part of its USD7.5bn Global Medium Term Note Programme and the same has been raised through its IFSC Banking Unit. The net proceeds from issue of notes will be used by for general corporate purposes in accordance with relevant regulatory guidelines.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

Non Coverage News:

Yes Bank and Northern Arc Capital partner to bridge India's credit gap

Yes Bank & Northern Arc Capital have entered a partnership to expand access to credit, scale digital lending and provide debt investment opportunities for its customers. This brings together balance-sheet strength, digital infrastructure, distribution capabilities, underwriting expertise, and technology platforms to expand formal credit access across underserved segments in India, in line with the Government of India's Financial Inclusion agenda towards fulfilling the Viksit Bharat vision of 2047.

Our Comments:

This strategic partnership is an outcome of Yes Bank's collaboration with Sumitomo Mitsui Banking Corporation (SMBC), the largest strategic shareholder in Yes Bank and a key shareholder in Northern Arc Capital. SMBC has helped bring together two complementary platforms with strong synergies across origination, distribution, technology and balance-sheet capacity. This marks first of many synergistic collaborations designed to accelerate Yes Bank's and Northern Arc's growth journey.

Citigroup, Axis Bank team up to leverage NRI deposits as RBI dollar inflows surge

Citigroup and Axis Bank have tied up to finance non-resident Indians investing in foreign-currency deposits, leveraging RBI rules that allow standby letters of credit against such deposits. The arrangement could amplify dollar inflows through offshore financing as India seeks to strengthen foreign-exchange reserves and support the rupee amid strong NRI deposits.

Our Comments:

The tie-up shows how the RBI's push to attract dollars has spawned a leveraged cross-border trade, potentially multiplying inflows from wealthy members of the diaspora. The Central Bank has already moved to end its incentive a month early after deposits under the program surged past USD52bn. The trade is emerging as the RBI seeks to bolster foreign-exchange reserves and ease pressure on the rupee, while creating opportunities for global banks to provide financing offshore even without an Indian retail presence.

Bank of Baroda raises USD400mn through 5-year senior unsecured notes

The bank has concluded the issuance of an additional USD400mn in senior unsecured Reg-S fixed rate notes with a 5-year maturity and a 5.318% coupon payable semi-annually. These bonds shall be listed on Singapore Stock Exchange, India INX Gift City and NSE-IX Exchange Gift City. This comes on the heels of an earlier USD300mn 5.318% senior unsecured notes issuance due 2031.

Our Comments:

The aforementioned issuances are part of the bank's USD4bn medium-term note program.

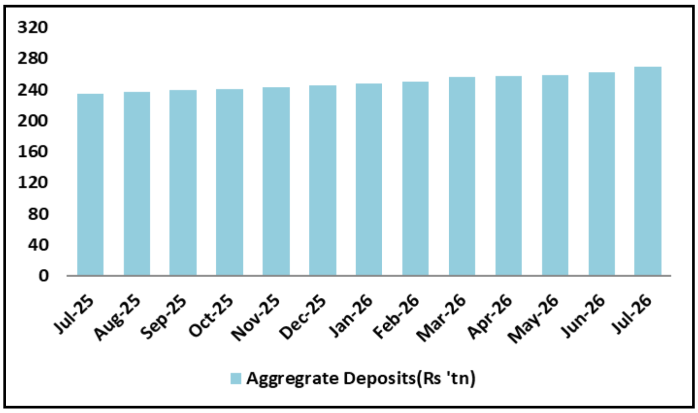
Kotak Mahindra Bank issues USD650mn senior notes at 5.478% maturing in 2031

Kotak Mahindra Bank has finalized the pricing and allotment of USD650mn in senior unsecured notes under its established USD1bn Euro Medium Term Note programme. The debt security features a fixed annual coupon of 5.478% with interest paid semi-annually and a five-year maturity structure.

Our Comments:

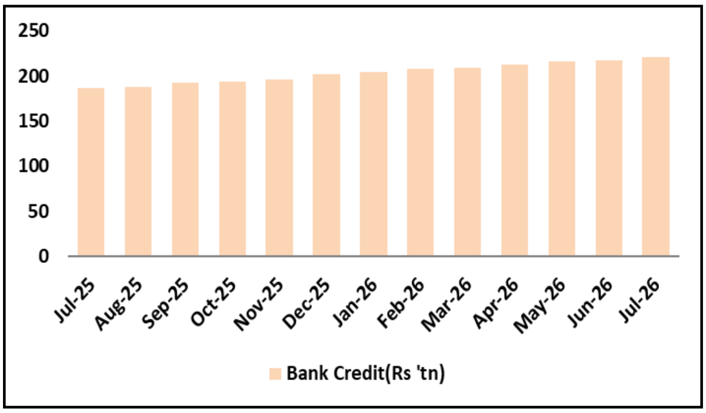
The net proceeds will help optimize the private lender's foreign currency liabilities and support steady balance sheet expansion. Tapping global debt capital markets enables Kotak Mahindra Bank to build diversified, long-term foreign currency liabilities.

Exhibit 03: Trend of Aggregate Deposits of SCBs



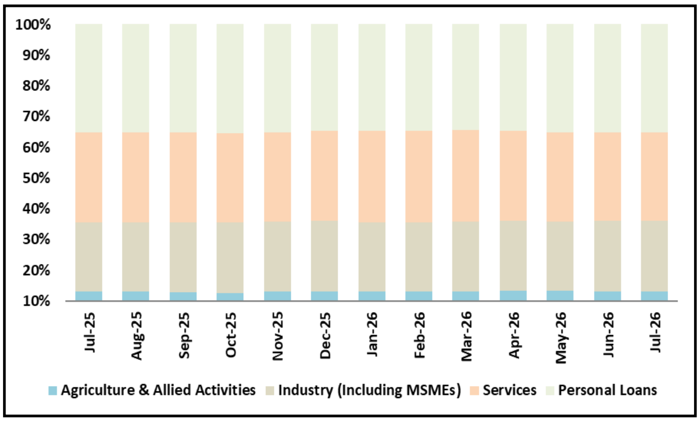
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



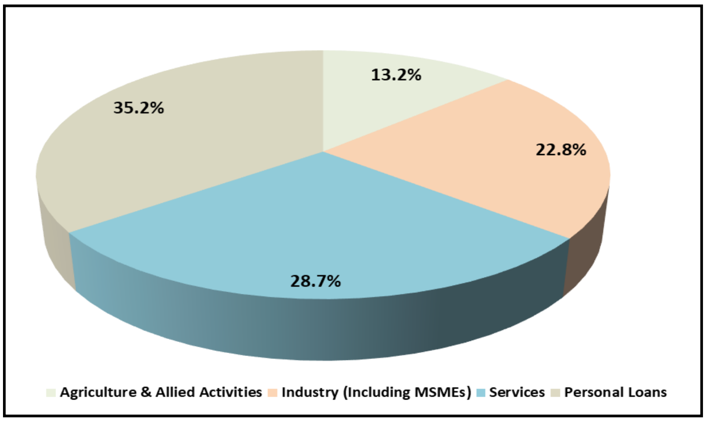
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



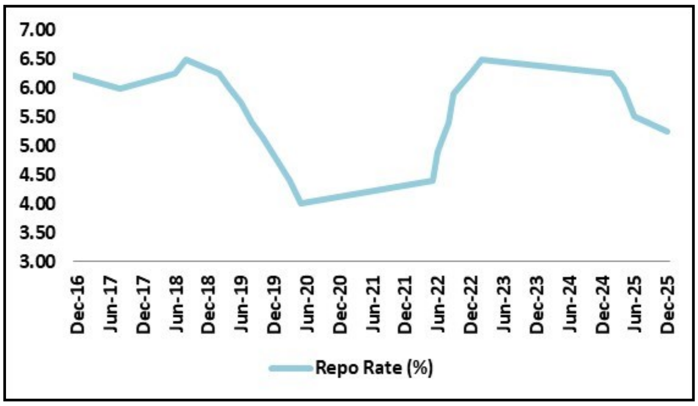
Source: RBI, Progressive Research

Exhibit 06: Sectoral breakup of Gross Bank Credit of the major sectors in July



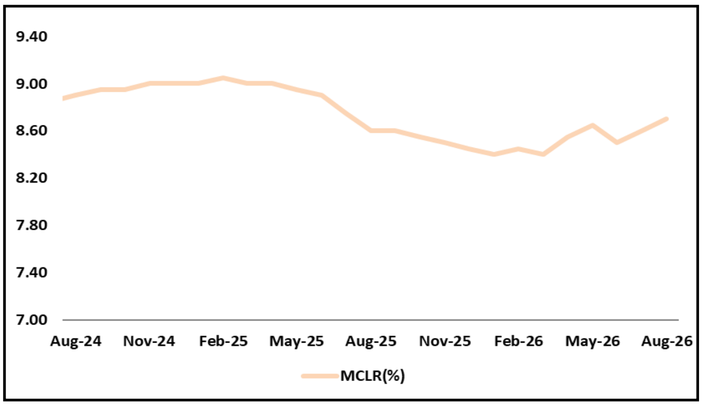
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years

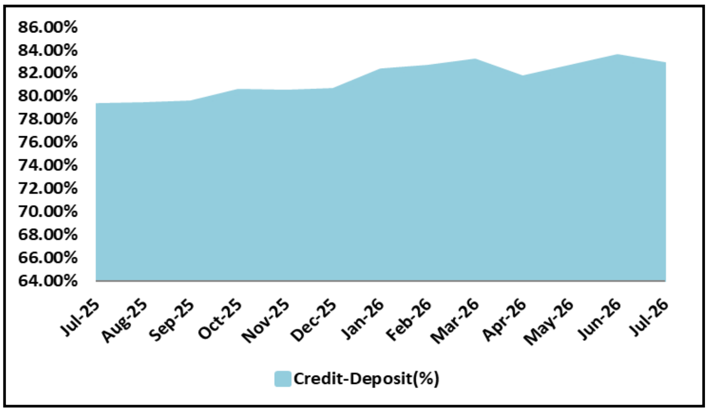


Source: Ace Equity, Progressive Research

Exhibit 09: RBI trying to keep the gap between short and long term bond in check

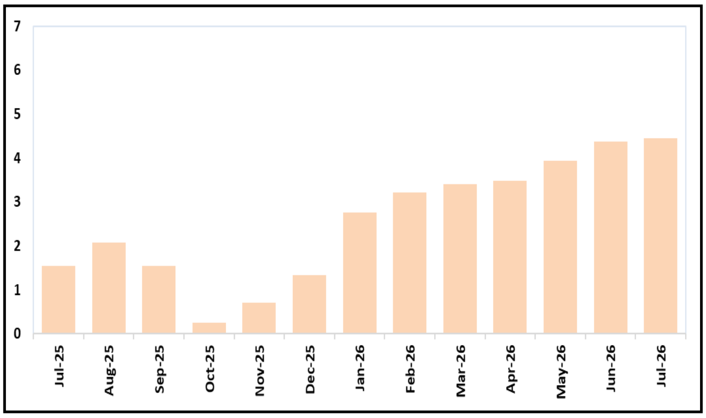
Source: Investing.com, Progressive Research

Exhibit 10: Credit-Deposit ratio of the SCBs in July-26



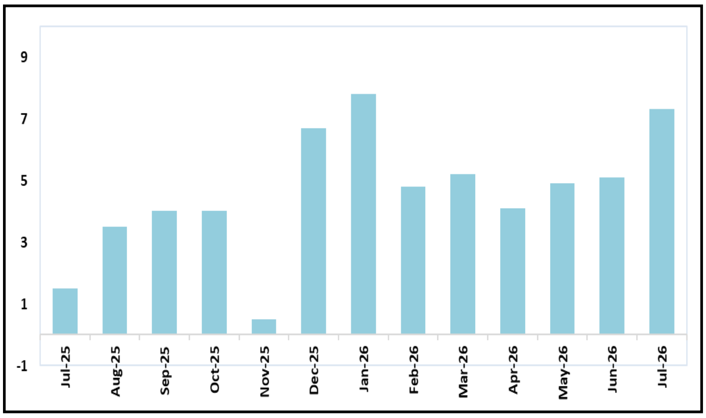
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



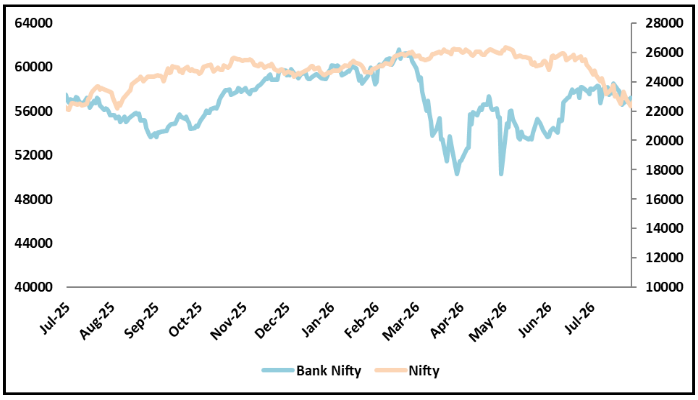
Source: RBI, Progressive Research

Exhibit 12: Change in Y-o-Y IIP data



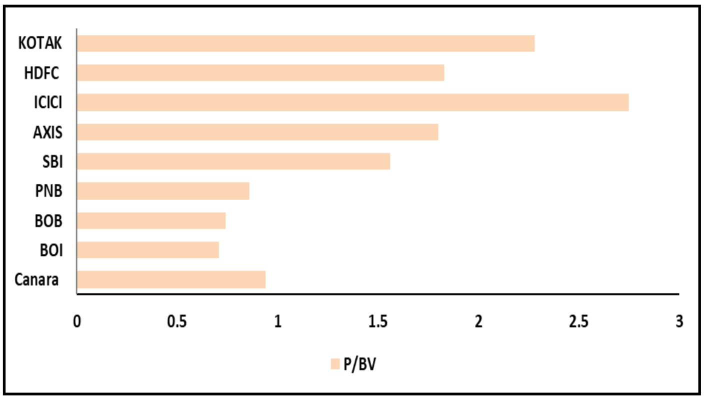
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 31st Aug, 2026



Source: Ace Equity, Progressive Research

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