BANKING MONTHLY

NOVEMBER 2025

PROGRESSIVE®
Your Progress Our Priority...

Prevailing Rates

I. Policy Rates

Repo Rate	5.50%
Reverse Repo Rate	3.35%
Standing Deposit Facility Rate	5.25%
Marginal Standing Facility Rate	5.75%
Bank Rate	5.75%

II. Lending/Deposit Rates

Base Rate	8.35% -10.00%
MCLR Rate (Overnight)	7.80% -7.95%
Savings Deposit Rate	2.50%
Term Deposit Rate > 1 Year	5.85% -6.60%

III. Reserve Ratio

CRR	3.25%
SLR	18.00%

Global Banking:

Rate hikes drive Japan regional banks toward mergers to survive

Three decades after a bad debt crisis in Japan forced a wave of mergers that created its mega lenders, the focus now is on consolidation in the nation's USD3tn regional banking industry. Several mergers in recent months and cheaper valuations are spurring bets among investors that more deals are on the way among Japan's 73 listed smaller banks. The lenders are facing increased competition for deposits as an inexpensive funding source with interest rates rising, and new rivals such as internet-based banks also growing.

Our comments:

It wouldn't be the first time for investors to speculate on whether Japan's slow-to-change provincial and rural lenders will agree to restructuring that may also result in their firms being taken over. But this time around, things look different. After decades of super-easy monetary policy, the Bank of Japan is raising interest rates, even as an aging and shrinking population is limiting demand for deposits and loans. That suggests that for local lenders, keeping the status quo may not be the right answer. They also face pressure as surging bond yields widen their paper losses on debt holdings, while steep price tags for technology investments loom as well. Meanwhile, some activist funds are searching for targets, and regulators are supportive of more deal making.

US banks shelve USD20bn bailout plan for Argentina, WSJ reports

A planned USD20bn bailout for Argentina from JPMorgan Chase, Bank of America, and Citigroup, has been shelved as bankers pivot instead to a smaller, short-term loan package. In October, the US Treasury reached a USD20bn exchange-rate stabilization agreement with Argentina, to be paired with a bank-led debt facility for the same amount. The deal came just days ahead of a midterm election that was crucial for Argentina's libertarian President, Javier Milei.

Our comments:

As per the Wall Street journal, bankers now say the debt facility is no longer under serious consideration. Instead, lenders are planning to loan Argentina around USD5bn through a short-term repurchase, or repo, facility.

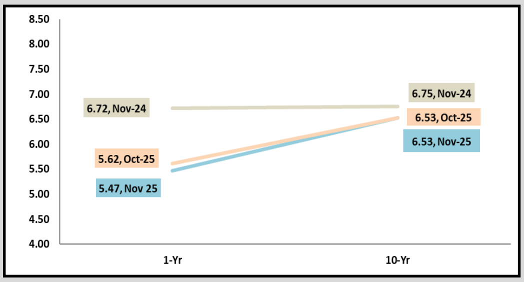
GCC Banks show stable credit fundamentals despite the overhang of event risks

GCC Banks' financial profiles will remain stable in 2026, underpinned by broadly stable profitability, supportive asset quality, and solid capitalization. The two main downside risks to baseline scenario are adverse geopolitical developments undermining macroeconomic fundamentals and a significant drop in oil prices. The first risk could take the form of a protracted, regional conflict, which is not part of the base case. The second could emanate from a weaker global economy and significant oversupply in the global energy markets.

Our comments:

For 2026, the financial profiles of rated banks in the Gulf Cooperation Council (GCC) region look stable. This assumes no major geopolitical eruption or sharp and prolonged fall in oil prices, with base case continuing to exclude both full-scale regional conflict and disruptions to oil production or export routes. Geopolitical event risk can always crystalize, though, as seen in the attacks on Qatar in 2025. But this and other recent episodes have been short-lived and limited to the actors involved. Ultimately, the impact of future geopolitical rifts will depend on the duration, intensity, and implications for specific transmission channels such as oil export routes, financial flows, tourism, and consumer and investor confidence.

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



Source: Investing.com, Progressive Research

Indian Economy:

Indian economy picks up further pace despite global headwinds: as per the RBI bulletin

The Indian economy continued to gather momentum in October despite persistent global headwinds, supported by stronger manufacturing and services activity, festive demand and the ongoing impact of GST reforms, according to the RBI's monthly bulletin. Inflation has eased to a historic low and remains below the target range. The decline was led by lower food prices, GST rate reductions and favourable base effects. Financial conditions stayed supportive, with a sharp increase in the flow of financial resources to the commercial sector compared to the previous year.

Our comments:

Despite the uncertain global trade environment, the RBI states that India's economy remains resilient due to strong services exports, steady remittance inflows and stable oil prices. Foreign exchange reserves are assessed to be sufficient to absorb external shocks. External debt as a share of GDP remains low and stable, with the portion of short-term debt also staying subdued.

India Q2 GDP growth quickens on year to 8.2%

India's GDP quickened to 8.2% in Q2FY26, up from 5.6% in the same quarter last year, underpinned by strong rural and government expenditure even as private capital spending remained subdued. India's GDP in the last quarter follows a 7.8% growth in the April-June quarter.

Our comments:

India lowered GST rates on most items from 22nd September, which is expected to bolster consumption in the world's fifth-largest economy. Demand for household products and groceries had revived in the second quarter even before the GST cuts on key staples took effect from 22nd September. Economists had said pre-festive inventory build-up, coupled with GST rationalisation, would have bolstered activity. India's economic growth is buoyed by a resilient rural economy, higher government spending and early export shipments.

India's wait to be a USD5tn economy could get longer

India's ambition of becoming a USD5tn economy will take longer than earlier thought, according to the latest projections by the IMF. The delay has been attributed to slower nominal GDP growth and sharper depreciation of the rupee. India initially aimed to achieve the USD5tn milestone by 2024-25, before revising the target to 2027-28. However, the IMF now estimates the economy to cross the USD4tn mark only in FY26 and reach USD4.96tn in FY28, falling short of the goal.

Our comments:

The rupee's weakness has particularly weighed on dollar-denominated GDP figures. The currency has depreciated 4.26% so far this year. Lower inflation has also slowed growth in nominal GDP, calculated at current market prices. India is projected to hit USD5.46tn by FY29 and cross USD6tn in 2030.

Coverage News:

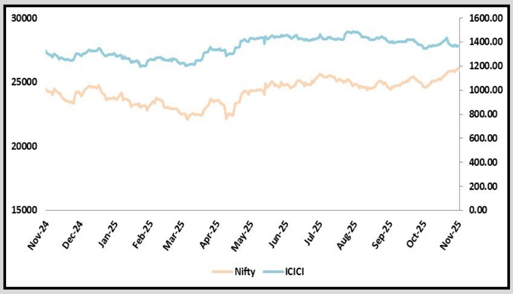
ICICI Bank Ratings update:

Crisil Ratings has reaffirmed its ‘Crisil AAA/Crisil AA+*/Stable’ ratings on the debt instruments of ICICI Bank Ltd (ICICI Bank). Crisil Ratings has also withdrawn its rating on Tier I bonds (under Basel III) of Rs1,1400mn in line with its withdrawal policy. Crisil Ratings has received independent verification that these instruments are fully redeemed. The ratings continue to reflect the bank’s healthy capitalization, strong market position, comfortable resource profile and stable asset quality. On 30th Sept’25, the bank had gross advances and deposits of Rs14.3lk-cr and Rs16.1lk-cr respectively, on a standalone basis and remains among the three domestic systemically-important banks (D-SIBs), as classified by the RBI. On the same date, the bank’s reported networth was Rs3.1lk-cr (standalone) and Rs3.4lk-cr (consolidated, excluding minority interest) whereas overall capital adequacy ratio (CAR, standalone) was 15.8% (excluding H1FY26 profit). Asset quality has also improved over the years and remained stable with gross and net non-performing assets (GNPAs and NNPAs) of 1.6% and 0.4%, respectively, as on 30th Sept’25. The bank’s ability to maintain this metric at sound levels, alongside sustained growth, will remain a key monitorable.

Our comments:

With a stable outlook, ICICI Bank will maintain its strong market position, healthy capitalisation and comfortable resource profile over the medium term.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

ICICI Bank approves Rs3,945cr capital raise via Tier-2 bonds

ICICI Bank has successfully allotted unsecured, subordinated, Tier-2 bonds to raise Rs3,945cr on a private placement basis. The issuance comprises 3,945 Basel III-compliant bonds in the nature of debentures, each holding a FV of Rs1cr. According to the term sheet details provided by the bank, the bonds carry a coupon rate of 7.40% p.a. payable annually. The instruments have a tenor of 15 years from the deemed date of allotment, which is 28th Nov’25, setting the maturity date for 28th November, 2040. However, the structure includes a call option, allowing the bank to redeem the bonds earlier.

Non Coverage News:

Emirates NBD eyes Indian Bank

Three major Emirati institutions are betting that India’s banks and NBFCs will bring the country’s financial sector into the global spotlight in 2025. In October, Dubai-based Emirates NBD Bank (ENBD) PJSC the UAE’s second-largest lender agreed to acquire a 60% controlling stake in India’s RBL Bank Ltd through a USD3bn preferential share issue, marking the largest-ever FDI in India’s financial services sector. The deal is also the largest ever equity fund raised in the Indian banking sector and the largest fund raised via preferential issuance by a listed company in India. It will mark the first acquisition of a majority interest in a profitable Indian bank by a foreign bank. The Boards of both banks have approved the amalgamation of ENBD’s Indian branches with and into RBL Bank, which will occur after the preferential issuance into RBL Bank.

Our comments:

As a part of the SEBI’s takeover regulations, ENBD will make a mandatory offer to buy upto 26% stake from RBL Bank’s public shareholders. This will be a major capital boost for RBL Bank to strengthen its balance sheet, increase its lending capacity and pursue expansion. But for ENBD, it can tap into RBL Bank’s 15mn customers, a network of 564 branches, 1347 business correspondent branches, and 415 ATMs.

Non Coverage News:

IndusInd Bank said to have kick started USD1bn equity raise plans

The bank is likely in talks with large sovereign funds such as GIC for a capital raise, expected to be rolled in a month or two, depending on investors' feedback. Ground work may have started at IndusInd Bank for a billion-dollar fund raise. Highly placed sources aware of the matter say a very closely knit team which is part of the CFO's office is tasked with the capital raise efforts.

Our comments:

Citi, which has worked with IndusInd Bank on multiple occasions in the past, is said to be engaged with the bank for the capital raise. While the timelines are not very clear yet, sources indicate that the bank plans to conclude the fund raise in a month or two, by January end. The bank is clear that it will not raise capital at below book value and given the stock price appreciation in the last few week, capital raise may happen slightly above the book value. Bankers indicate that the equity raise may be priced between Rs875-950 per share, depending upon the feedback from investors. The fund raise is expected to help the ongoing clean-up of financials and bolster its capital position ahead of ECL (expected credit loss) adoption in FY27.

Kotak Mahindra Bank seen as frontrunner in IDBI Bank sale as govt. targets 2026 privatisation deadline

The long-delayed privatisation of IDBI Bank is witnessing renewed activity, with a fresh contender reportedly joining the race. According to reports, Kotak Mahindra Bank has expressed interest in acquiring a significant stake in the lender. The bank now appears alongside global investment firms Oaktree Capital and Fairfax, which were already seen as active suitors in earlier phases of the process.

Our comments:

If Kotak's interest is confirmed, it could alter the competitive landscape for IDBI Bank's divestment. Fairfax and Oaktree have been engaged with the process for months, but the entry of a large domestic private-sector bank would introduce a new strategic dimension. Kotak, with its strong retail franchise and track record of successful integrations; most notably the ING Vysya merger could be seen by the government as a capable steward for IDBI's future.

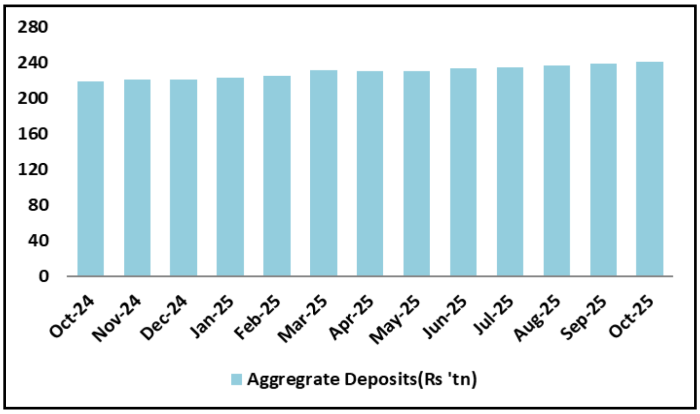
Axis Bank to raise Rs50bn via Series-9 long-term NCDs on private placement basis

The bank has announced that it will raise up to Rs50bn through the issuance of fully paid, senior, rated, listed, unsecured, taxable, redeemable, long-term non-convertible debentures under Series-9 on a private placement basis. The bank said the issuance will include a base size of Rs20bn and a green shoe option of Rs30bn to retain oversubscription, taking the total proposed fundraise to Rs50bn.

Our comments:

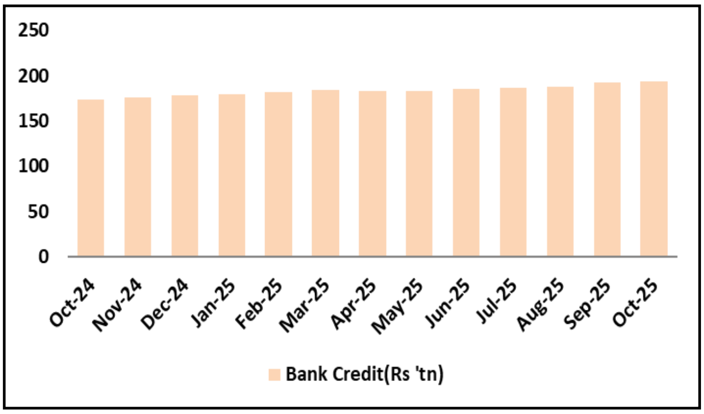
This fundraising is part of the bank's authorised plan to raise upto Rs350bn through debt securities on a private placement basis, as approved by its Board of Directors and shareholders. The Series-9 debentures will be fully paid, senior, rated, listed, unsecured, taxable and redeemable long-term instruments.

Exhibit 03: Trend of Aggregate Deposits of SCBs



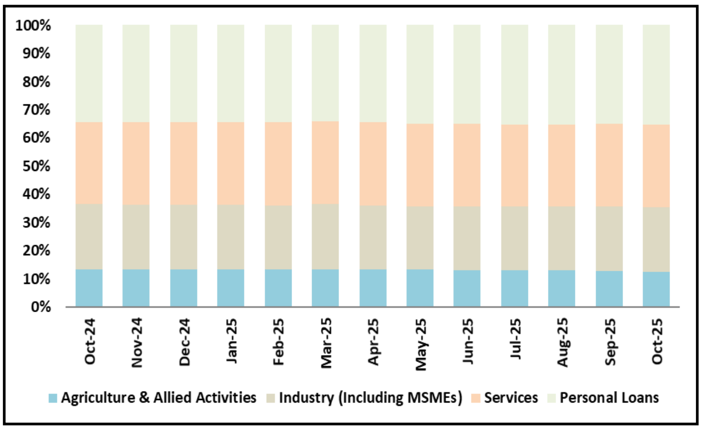
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



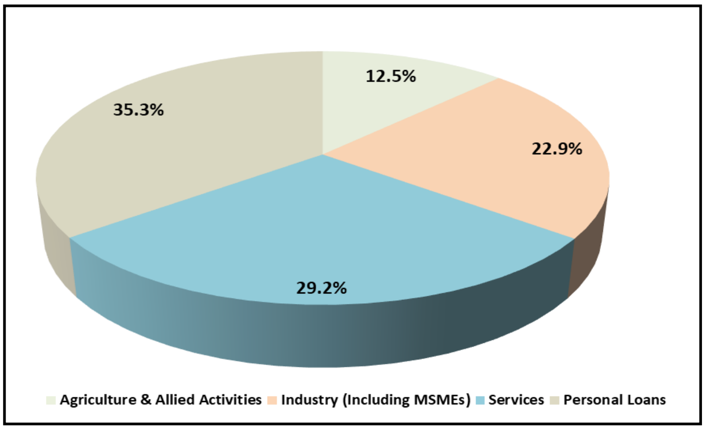
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



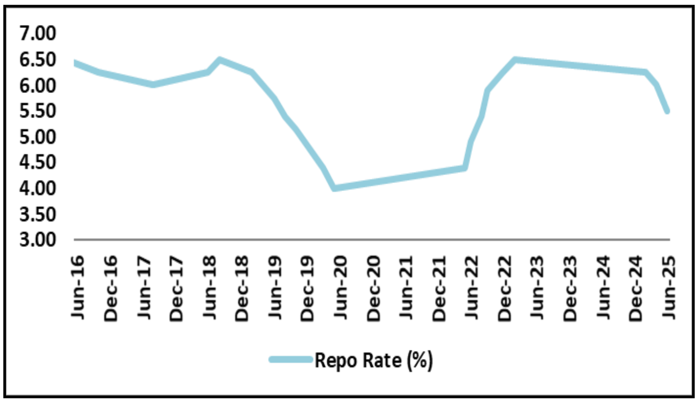
Source: RBI, Progressive Research

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



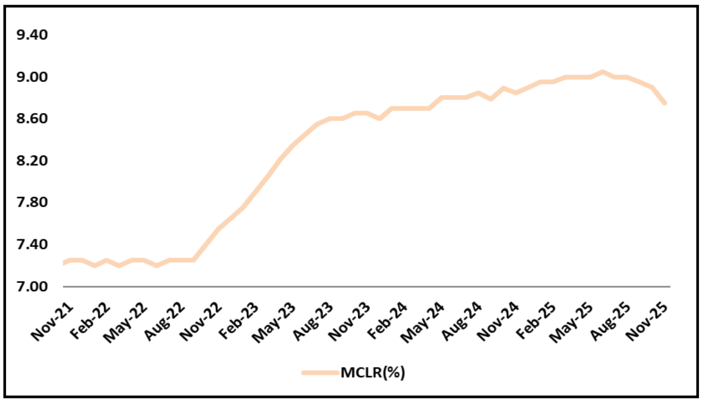
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



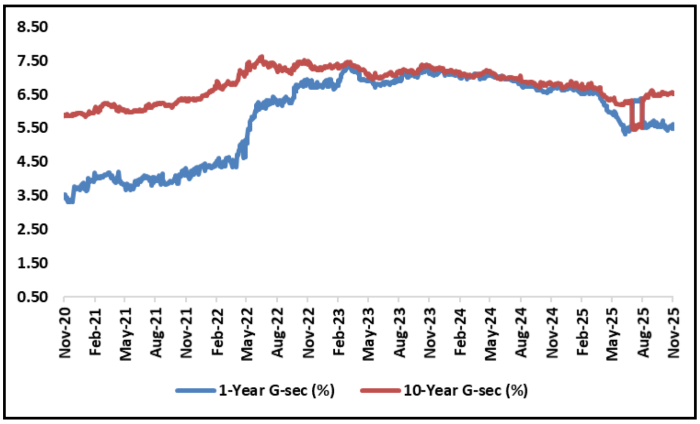
Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years



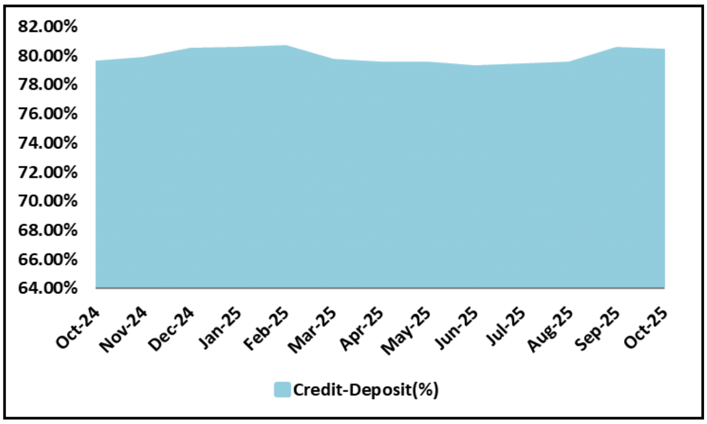
Source: Ace Equity, Progressive Research

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



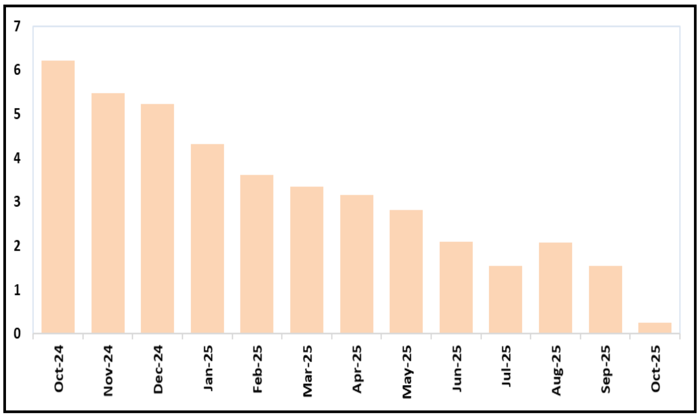
Source: Investing.com, Progressive Research

Exhibit 10: Credit-Deposit ratio of the SCBs in Oct-25



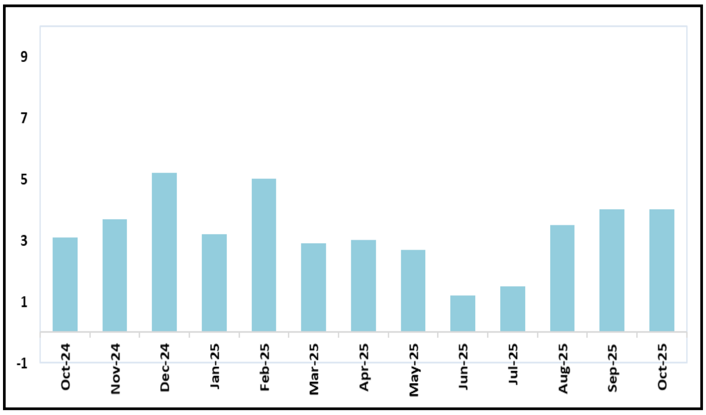
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



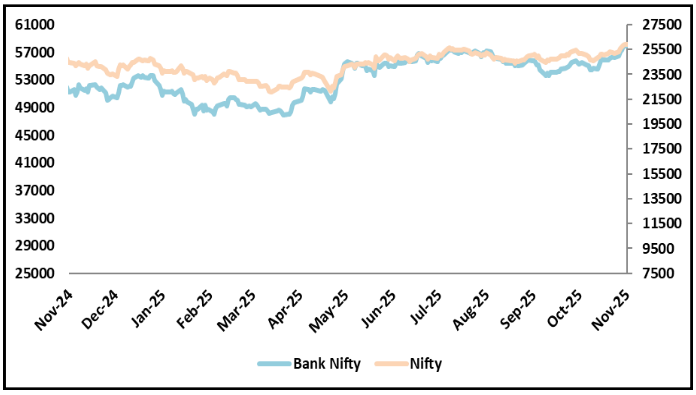
Source: RBI, Progressive Research

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



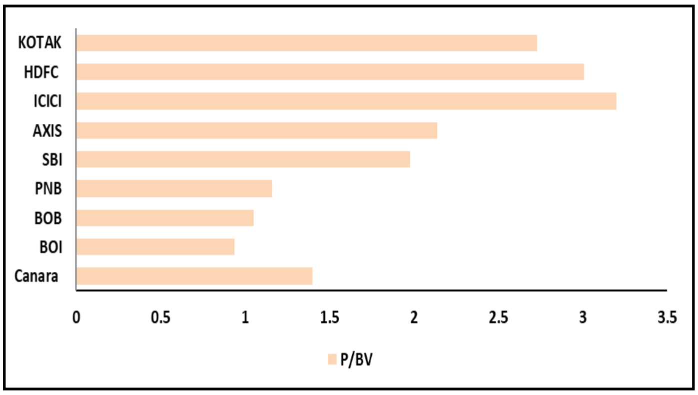
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 28th November, 2025



Source: Ace Equity, Progressive Research

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