



BANKING **MONTHLY**

FEBRUARY 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	8.35% -10.00%
MCLR Rate (Overnight)	7.70% -7.95%
Savings Deposit Rate	2.50%
Term Deposit Rate > 1 Year	6.00% -6.50%

III. Reserve Ratio

CRR	3.00%
SLR	18.00%

Global Banking:

IMF urges US to change course on economic policy

The IMF has taken aim at the Trump administration's economic policies, attacking US tariffs and warning that the role of the country's statisticians, supervisors and tax collectors needs to be respected. The fund said in a statement that the administration of President Donald Trump should deploy a different set of policies to avoid the negative economic consequences of tariffs, following a round of meetings that formed part of the IMF's check on the US economy.

Our Comments:

While the fund shared the Trump administration's concern about the size of the US's trade deficit, tariffs had a negative supply effect and acted as a headwind to even stronger growth.

Japan says economy recovering moderately, lifts view on corporate profits

The Japanese government has retained its view that the economy is recovering moderately, while raising its assessment of corporate profits for the first time in 11 months although the impact of higher US tariffs persisted. US-bound exports showed a recovery overall, with the downtrend of car shipments to the world's largest economy following higher tariffs imposed by President Donald Trump appearing to have bottomed out.

Our Comments:

The government maintained its views on other key components, stating that personal consumption and capital investment are showing signs of improvement.

IMF warns of trade tension risk to global growth

Trade tensions and a reversal in the artificial intelligence (AI) boom are among the main risks to global economic growth, the IMF has warned. Its comments came in its latest world economic outlook, where it described the global economy as steady, with growth expected to remain resilient this year. The economic watchdog said global growth was projected to reach 3.3% this year, an increase from its previous forecast of 3.1% before slowing slightly to 3.2% in 2027.

Our Comments:

The fund also said the independence of Central Banks was paramount for global economic stability and growth. The IMF's report says the global economy has been helped by tailwinds from surging investment related to technology, including AI. However, it said risks to the global outlook remain tilted to the downside, warning that if expectations about AI growth turn out to be overly optimistic an abrupt market correction could be triggered.

India-Israel FTA likely within weeks; trade could triple, says Israel-Asia Chamber of Commerce

Prime Minister Narendra Modi's visit to Israel has sent a clear signal to businesses on both sides: the India-Israel economic relationship is entering a faster, more consequential phase, with a long-awaited FTA expected to be signed soon. According to the President of Israel-Asia Chamber of Commerce, the heads of terms for the FTA are already in place and a formal agreement could be concluded within the next month.

Our Comments:

The FTA is expected to expand cooperation well beyond defence, encompassing industry, education, agriculture and advanced technologies.

Indian Economy:

Monetary Policy February 2026:

RBI’s Monetary Policy Committee (MPC) met for the first time after the Budget from 4th to 6th Feb, 2026, the sixth and last bi-monthly for FY26. The committee unanimously decided to keep the repo rate unchanged at 5.25%, and has maintained the Neutral stance. This year, the RBI has lowered the repo rate by a cumulative 125bps in four meetings, beginning in February 2025.

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:

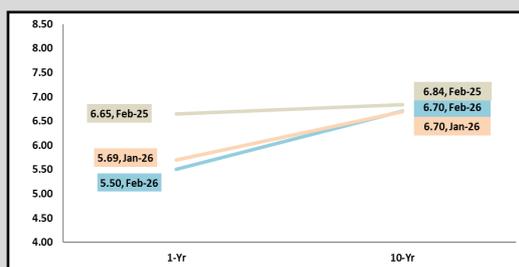
- **Repo Rate:** 5.25% (5.25% in December 2025)
- **Reverse Repo Rate:** 3.35% (3.35% in December 2025)
- **Standing Deposit Facility:** stands unchanged at 5.0%
- **Bank Rate:** 5.50% (5.50% in December 2025)
- **MSF:** 5.50% (5.50% in December 2025)
- **GDP Projection:** Real GDP growth for FY26 is projected at 7.4% from the earlier estimate of 7.3%. Q4FY26 is projected at 6.5%, Q1FY27 at 6.90% and Q2FY27 at 7.0%
- **CPI Inflation:** CPI forecast for FY26 is projected at 2.1%. Q4FY26 is projected at 3.2%, Q1FY27 at 4.0% and Q2FY27 at 4.2%

Our View:

The MPC was expected and it did maintain a status quo on the repo rate with the Neutral stance, amid the continued global economic uncertainty, pressure on government bond yields and volatility in the domestic currency. Inflation remains below the tolerance band (2.1% expected for FY26) and continues to be benign while the high-frequency indicators point to a continuation of strong growth momentum in the near term. The signing of the landmark trade deals with the EU and US is expected to support sustained growth going forward. The MPC also reaffirmed that while domestic inflation and growth prospects remain positive; external headwinds have intensified since the last policy in December. With the fiscal support rising and external trade prospects improving, focus is on how the RBI balances inflation risks with growth momentum. The growth outlook for FY26 has been revised to 7.4% from earlier projection of 7.3%, reflecting a change in the Central Bank’s assessment of economic momentum. On the outlook, the Governor has said that the economic activity is expected to hold up well in the coming year, even as global conditions remain uncertain and as always, the RBI will remain pro-active in liquidity management to meet productive requirements of the economy. Overall, the policy has been stable and consistent; dynamic as and when liquidity measures would be required.

FINAL VERDICT			
MPC Meetings	REPO	REVERSE	CURRENT STANCE
February 2026	5.25%	3.35%	Retained the Neutral Stance
December 2025	5.25%	3.35%	

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



Source: Investing.com, Progressive Research

Indian Economy:

India's retail inflation at 2.75% in January under new CPI base year 2024

India's year-on-year retail inflation rate, based on the Consumer Price Index (CPI) with the revised base year 2024, stood at 2.75% in January 2026, compared to January 2025. Under the revised framework, the classification now follows the Classification of Individual Consumption According to Purpose (COICOP) 2018, introducing 12 divisions in place of the earlier six groups.

Our Comments:

MoSPI said the revision enhances coverage and representativeness of the inflation measure, introducing more granular data to support policymakers, financial institutions, businesses and citizens in making data-driven decisions.

RBI tightens bank lending norms for stock brokers, mandates full collateral from 01st April

The RBI has tightened lending norms for banks providing credit to stock brokers and other capital market intermediaries, mandating that all such loans must now be fully backed by collateral. Under the new framework, banks must ensure that credit facilities extended to brokers are fully secured, meaning the value of collateral must match the entire loan amount. The collateral can include eligible securities, cash, financial assets, immovable property, receivables, bank guarantees, or standby letters of credit. However, short-term instruments such as commercial papers and non-convertible debentures with maturity of upto one year will not be accepted as collateral.

Our Comments:

The revised guidelines, which will come into effect from 01st April, aim to strengthen financial stability and reduce risks associated with unsecured exposure to capital market entities.

India bets on upto 7.2% growth next year, outpacing most major economies

India has forecasted its economy to grow between 6.8% to 7.2% in FY27, outpacing most major economies. The world's fourth-largest economy is targeting this growth on the back of a stable domestic economy and fewer external uncertainties. India is expected to remain the fastest-growing economy in the world, according to the IMF, which has pegged its growth at 6.4% in 2026 and 2027. In contrast, the IMF projects the world economy to grow by 3.3% in 2026, marginally shrinking to 3.2% in 2027. Major economies like Germany, the UK and Japan are likely to grow in the low single digits.

Our Comments:

The outlook for the Indian economy in the next fiscal year is one of steady growth amid global uncertainty, requiring caution, but not pessimism.

India Central Bank's additional liquidity support to wind down after March, bankers say

The Indian Central Bank's additional liquidity support to lenders, which has pushed overnight rates towards the floor of the policy rate corridor in a bid to ease money market stress and improve transmission, is unlikely to extend beyond March, according to bankers. Market participants say the liquidity push reflects an interim calibration, with the Central Bank aiming to ease short-term rates. India's banking system liquidity surplus has averaged around 1.1% of deposits this month, inching past the 1% threshold that the RBI indicated in December.

Our Comments:

The RBI's stealth easing has been particularly effective with its immediate objective of alleviating funding pressures met, and is expected to be maintained till March.

Exhibit 2: ICICI v/s Nifty



Source: Ace Equity, Progressive Research

Coverage News:

ICICI Bank receives GST Tax demand order worth Rs50.38cr from Maharashtra Department

The Bank has received an order in appeal from the Maharashtra GST Department, affirming a prior tax demand of Rs50.38cr, plus equivalent penalties and interest. It follows a 2025 order contested by the lender. The Bank plans to further appeal the ruling.

Non Coverage News:

Federal Bank raises Rs6,196cr via preferential warrants to Asia II Topco XIII

Federal Bank has approved the allotment of warrants on a preferential basis to Asia II Topco XIII Pte. Ltd., raising a total consideration of approximately Rs6,196.51cr. As per regulatory norms, 25% of the total consideration has been received at the time of allotment, with the remaining amount payable upon conversion of the warrants into equity shares within the prescribed timeline.

Our Comments:

The allotment forms part of the Bank’s previously disclosed capital-raising plan aimed at strengthening its capital base and supporting future growth initiatives.

IDFC First Bank discloses Rs590cr fraud at Chandigarh branch

The Bank said some employees at its Chandigarh branch were involved in fraudulent activities involving Rs590cr from accounts linked to the Haryana government. However, the lender has cleared that the fraudulent activities were confined to a specific group of government-linked accounts within Haryana Government operated through the said branch in Chandigarh and does not extend to other customers of the Chandigarh Branch.

Our Comments:

The impact may be determined based on receipt of further information, validation of claims, recoveries of any nature including those made through the process of marking lien on fraudulent beneficiary accounts maintained with other Banks, liabilities of other entities involved in the fraudulent transactions, and the legal recovery process.

Axis Bank denies bidding for CreditAccess Grameen

Axis Bank has denied bidding to acquire micro-finance firm CreditAccess Grameen. The filing followed wave of questions from market participants after speculation surfaced about Axis exploring a strategic transaction in the microfinance sector.

Our Comments:

The firm denial comes at a time when the microfinance landscape is witnessing renewed investor interest and murmurs of consolidation. CreditAccess Grameen, one of India's largest NBFC-MFIs, has often figured in sector-wide conversations about potential strategic moves, further fueling recent speculation.

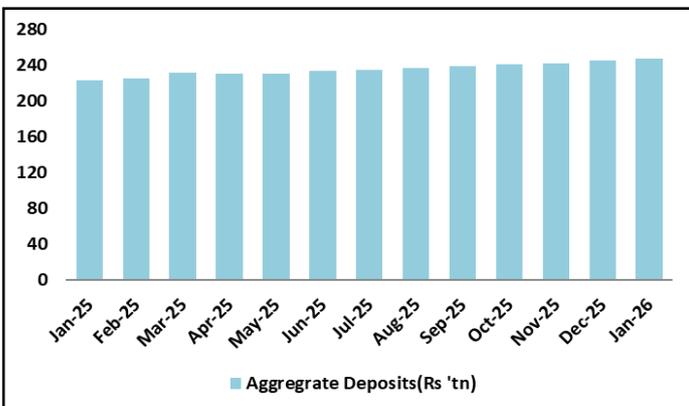
SBI MF gets RBI's nod to acquire up to 9.99% stake in Bandhan Bank

SBI MF has received the RBI’s approval to acquire upto 9.99% equity stake in Bandhan Bank. The Bank stated that the RBI has directed SBI MF to ensure that its “aggregate holding” in the Bank does not exceed 9.99% of the Bank’s paid-up share capital or voting rights at all times. Also it has directed that if SBI MF fails to acquire a major shareholding within a period of one year from the date, the approval will be cancelled.

Our Comments:

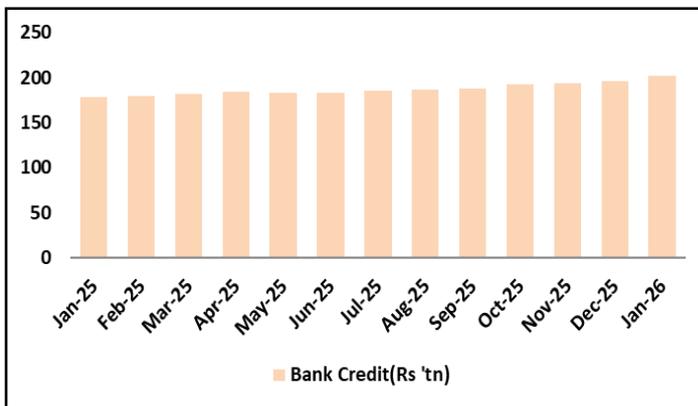
If the aggregate holding of the applicant falls below 5% at any point in time, prior approval of the RBI; will be required to increase it to 5% or more of the paid-up share capital or voting rights of the Bank, as per the RBI directive to SBI MF.

Exhibit 03: Trend of Aggregate Deposits of SCBs



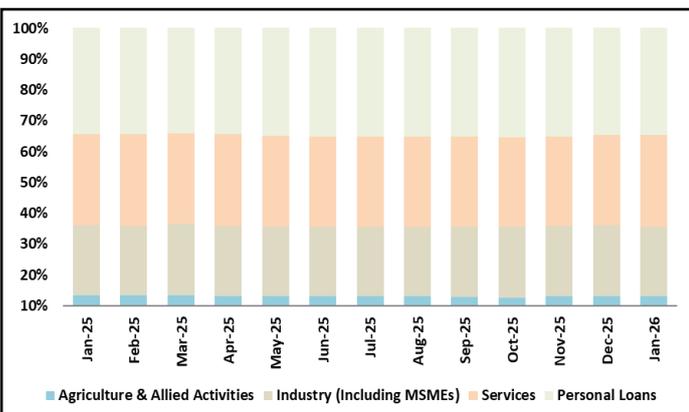
Source: Investing.com, Progressive Research

Exhibit 04: Trend of Bank Credit of SCBs



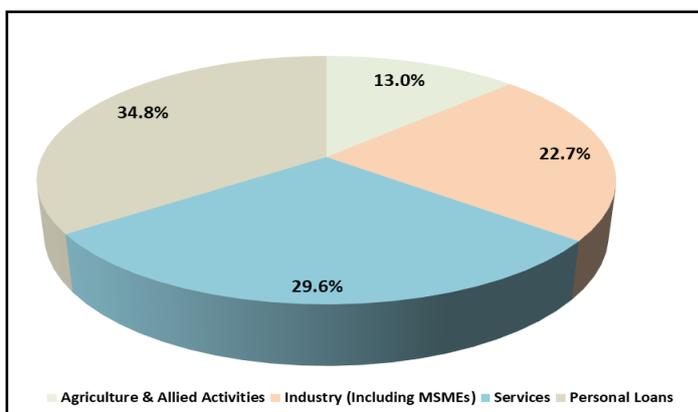
Source: RBI, Progressive Research

Exhibit 05: Deployment of Gross Bank Credit by major sectors



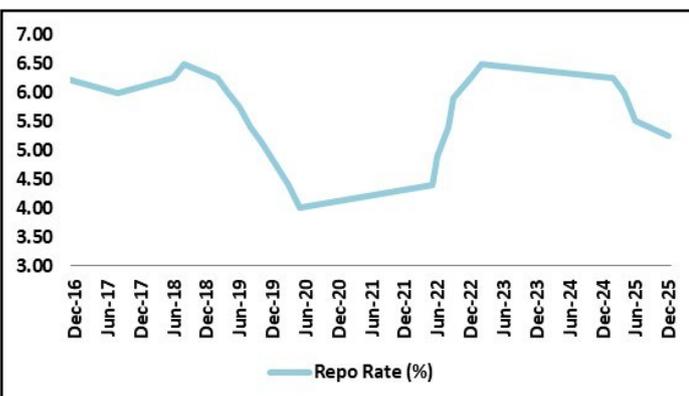
Source: RBI, Progressive Research

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



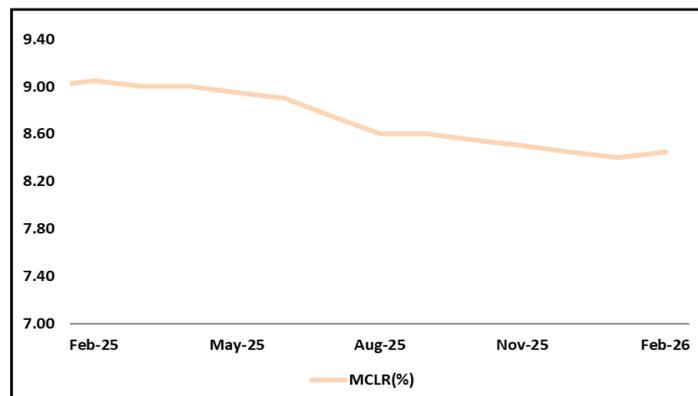
Source: RBI, Progressive Research

Exhibit 07: Repo Rate Trend



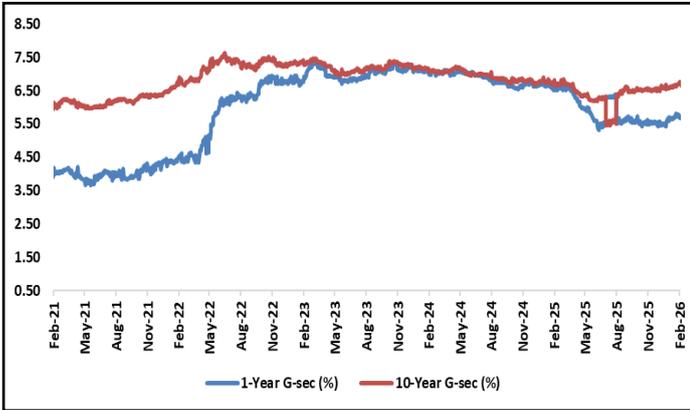
Source: NSE, Progressive Research

Exhibit 08: MCLR trend in the last 3 years



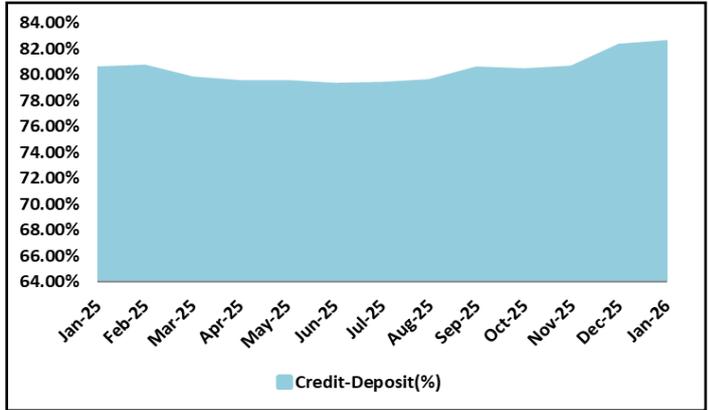
Source: Ace Equity, Progressive Research

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



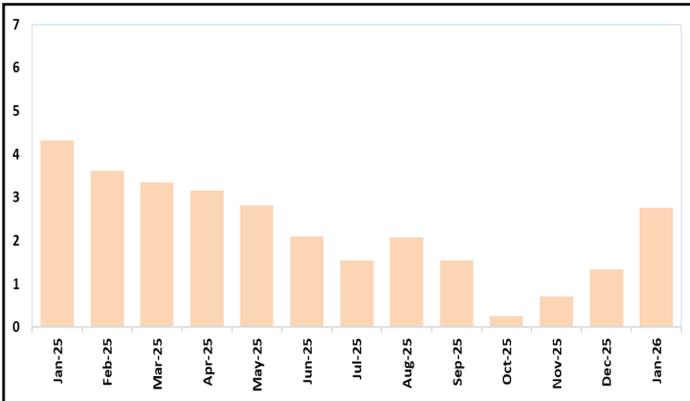
Source: Investing.com, Progressive Research

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



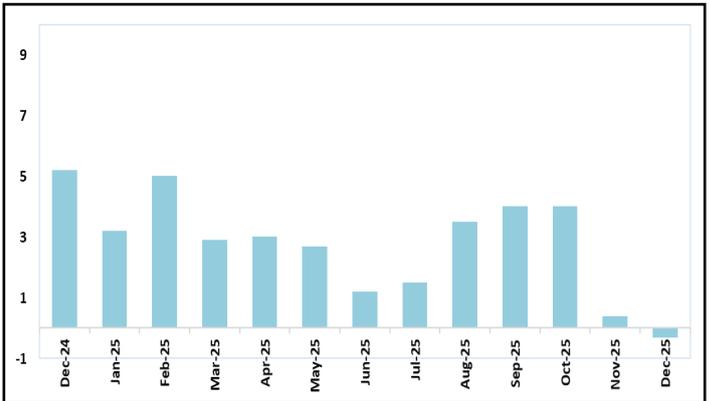
Source: RBI, Progressive Research

Exhibit 11: Retail Inflation Range Bound



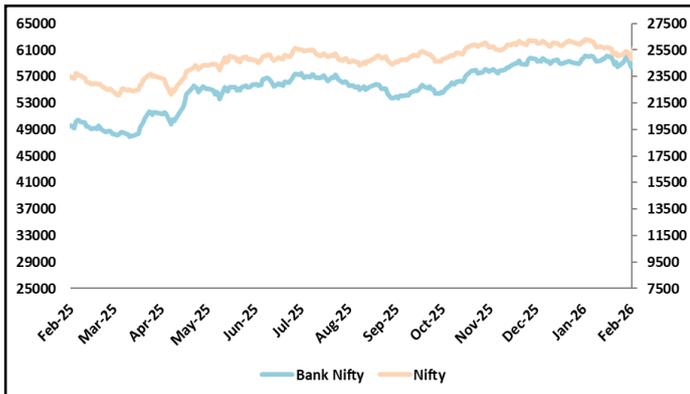
Source: RBI, Progressive Research

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



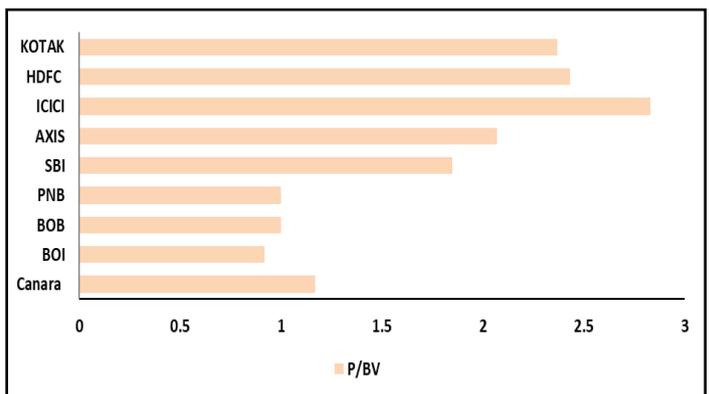
Source: RBI, Progressive Research

Exhibit 13: Bank Index v/s Nifty Index



Source: NSE, Progressive Research

Exhibit 14: Major Banks' Valuation as on 2nd March, 2026



Source: Ace Equity, Progressive Research

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