

Banks - India

Deposit competition – pricing discipline on most fronts; PSBs remain aggressive

Industry Overview

In this report, we look in detail at all the key deposit and lending rates offered by Indian banks. Detailed historical tables inside.

Pricing discipline to cushion NIM normalization

Our latest channel checks and analysis suggest that banks have maintained pricing discipline on both sides of the balance sheet – **retail FD rates appear to have peaked, bulk FD rates tactically adjusted down (some demand probably shifting to CDs) and no real pressure on loan spreads** (corp spreads flat, some minor tightening in mortgage spreads, auto/MFI spreads improving). Only factor that remains a minor headwind is **continued competitive intensity from PSBs on retail deposit pricing (and incrementally in headline SME loan pricing)**. But overall, this is good news for banks' NIM normalization from 1Q24 – unlikely to see any major negative surprises as catchup in deposit repricing will remain the only driver.

HDFCB, IIB, SBI, BOB NIMs to outperform near term – HDFCB/IIB have a higher mix of fixed rate loans and have seen the least benefit on the upside. SBI/BOB likely to see some tailwinds from MCLR repricing and higher LDRs. ICICI/Axis/Kotak remain more exposed to NIM normalization in the next 2-3 qtrs. Increased intensity from HDFCB and PSBs remains the key downside risk in FY24 and beyond.

Big 4 banks – Stable FD rates; loan book repricing peaks

Negligible rate change across deposits – Big 4 bks have paused rate hike since Apr'23, in line with pause in repo rate hike but are yet to see rate cuts.

HDFCB continues to offer lowest rate across FD buckets – almost 10-20 bps lower than ICICI, Axis in 1 yr bucket and 35-60 bps lower than Kotak.

Increase in MCLR has slowed down in last 3 months; rate hike in auto – led by slower in FD rates and steady SA rates. Big 3 pvt bks took ~40 bps hike in autos in 2M.

PSBs – higher competition in mortgage, SME

BOB offering 90 bps higher rate on bulk FD vs SBI – While small FD rate for SBI and BOB are in same range, BOB is offering 90 bps higher rate on small FD.

Slower increase in MCLR and higher competition in mortgage, SME – PSBs are seeing higher competition in mortgage, SME etc & slower increase in MCLR, which could translate to lower increase in asset yield in coming qtr.

MSBs – tactical reversal of bulk FD rate hikes

Rate cuts in bulk FDs - MSBs have started to take cuts in bulk FD rates, which was aggressively raised in last 12 months due to competition and pick up in rate cycle. BHB has taken 40 bps cut in large and medium FD since Apr'23. SA rates stable for MSBs.

Higher demand is keeping CD volume up – Volume continues to hold up at higher level (Rs 2.9 tn+) and CD rate steady at 7.8% in last 2 months, showing strong demand.

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Equity

India

Banks

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FD – Fixed Deposits
MSB- Mid-sized banks
LCR – Liquidity Coverage Ratio
LDR – Loan to Deposit Ratio
SA – Savings Account
CASA – Current Account Savings Account
FD – Fixed deposits
MCLR – Marginal cost of based lending rate
NIM – Net Interest Margin
PSB – Public Sector Bank
SFB – Small Finance Bank
MSB – Mid-sized Banks
SME – Small and Medium Enterprises
PL – Personal loans
MFI – Micro Finance Institutions
EBLR – External Benchmark Lending Rate
CD – Certificate of deposits
IIB – IndusInd bank
HDFCB – HDFC Bank
SBI – State Bank of India
BOB- Bank of Baroda
BHB- Bandhan Bank
AUSFB – AU Small Finance Bank

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Refer to important disclosures on page 19 to 21.

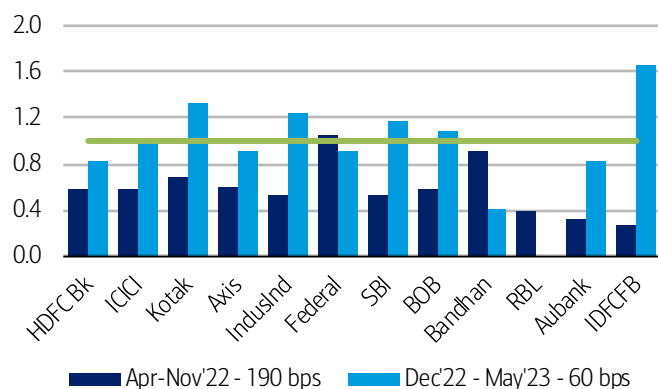
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Key charts and tables

Exhibit 1: Deposit beta – small FDs

Deposit beta has been ~1 in last 6M despite no rate revision since Apr'23



Source: BofA Global Research estimates, company websites

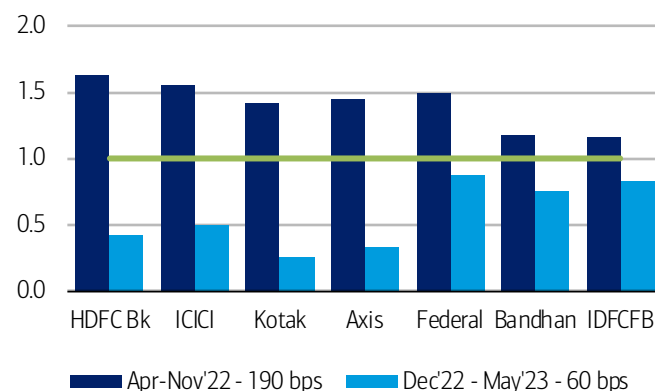
Note – Small FDs are deposits less than Rs 2 Cr

Deposit beta = change in deposit rate divided by change in policy rate

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Exhibit 2: Deposit beta – large FDs

Deposit beta close to 1.5x in first half of rate cycle vs second half



Source: BofA Global Research estimates, company websites

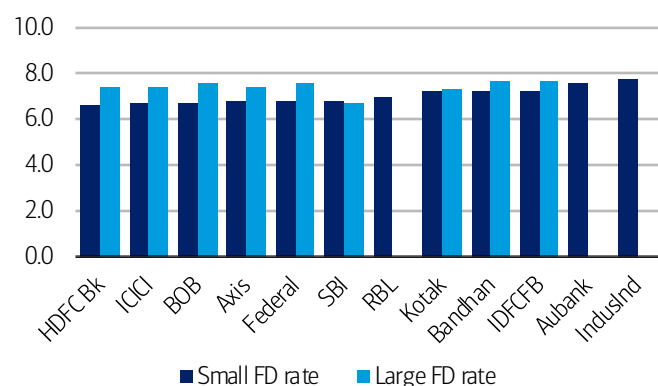
Note – Small FDs are deposits larger than Rs 25 Cr

Deposit beta = change in deposit rate divided by change in policy rate

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Exhibit 3: Current interest rate – Small and large FDs (%)

SBI's large FD rate is same as small FD rate and 60-90 bps lower than peers



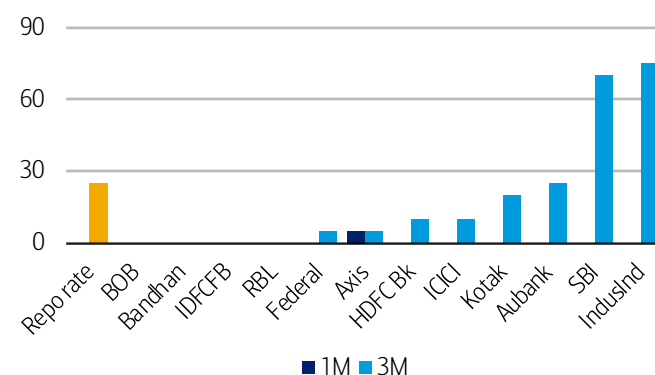
Source: BofA Global Research estimates, company websites

Note – Small FDs are deposits less than Rs 2 Cr, large FDs are above Rs 25 Cr

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Exhibit 4: Small FD rates (%) - 1M and 3M change

FD rate revision has taken a pause since Apr'23

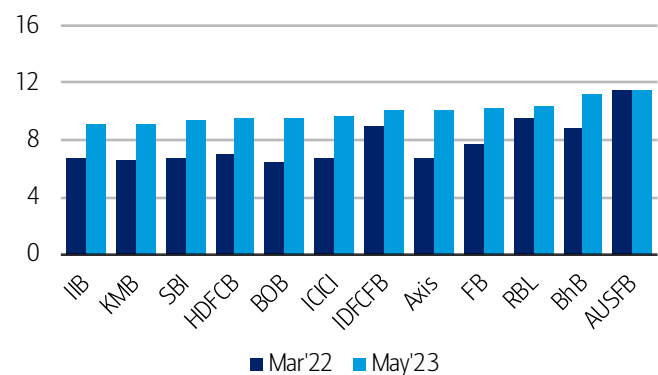


Source: BofA Global Research estimates, company websites

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Exhibit 5: Mortgage rate (%) - Apr'23 vs Mar'22

Rate differential for mortgage has reduced across banks



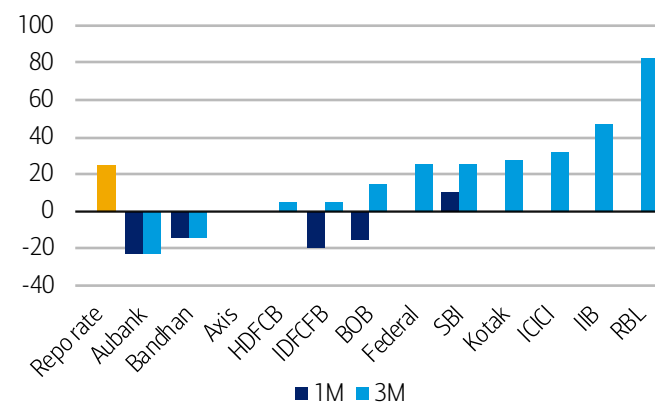
Source: BofA Global Research estimates, company

Note – Mortgage rates for Salaried customers, general category, male, amt between Rs 35-70 L

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Exhibit 6: Mortgage rate (%) - 1M and 3M change

Big banks have taken 255-335 bps rate hike in past 1 yr

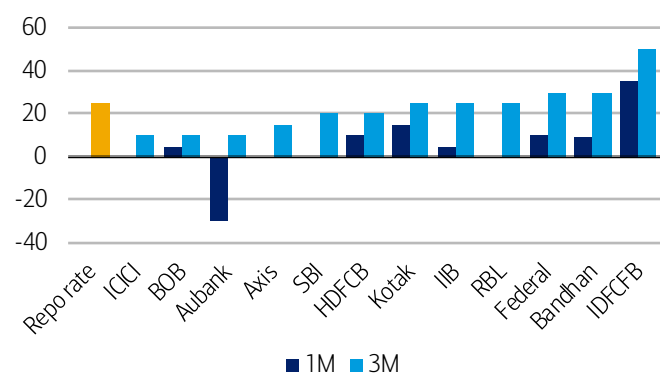


Source: BofA Global Research estimates, company

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Exhibit 7: 12M MCLR (bps)- 1M vs 3M change

MCLR revision has been faster for MSBs in last 3 months

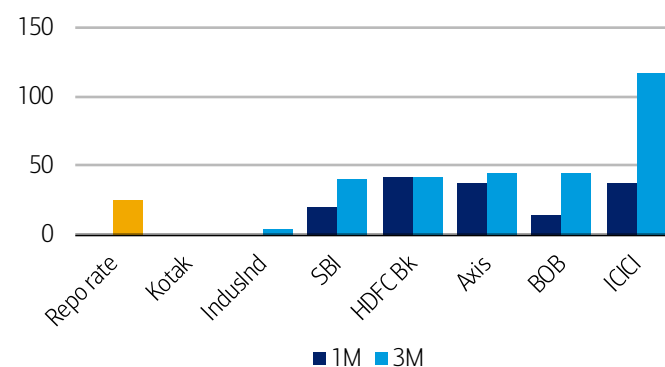


Source: BofA Global Research estimates, company

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Exhibit 8: Auto loan rate (bps)- 1M vs 3M change

Big banks are leading in auto loan repricing, avg of 40 bps hike in 3M

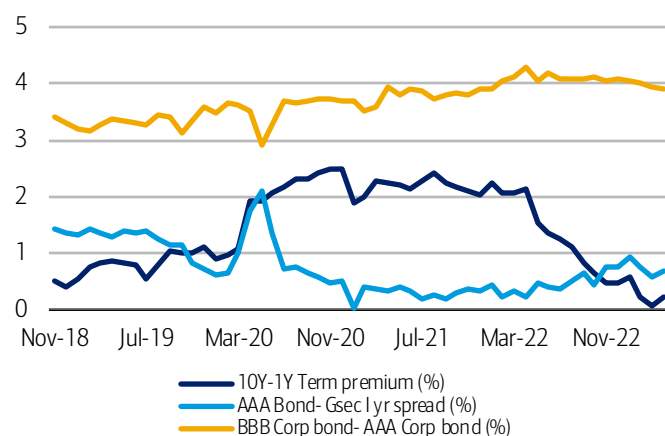


Source: BofA Global Research estimates, company

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Exhibit 9: Term premium and corporate bond spread (%)

Term premium has bene flat in last few month

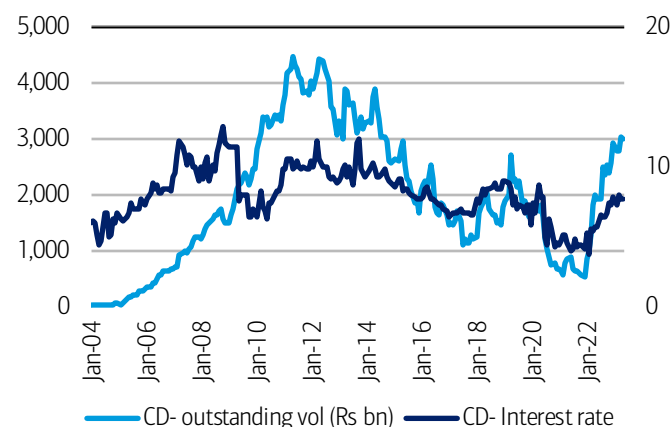


Source: BofA Global Research, Bloomberg

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Exhibit 10: CD – outstanding vol (Rs bn) and interest rate (%)

CD volume at higher level; CD rate steady at 7.8%

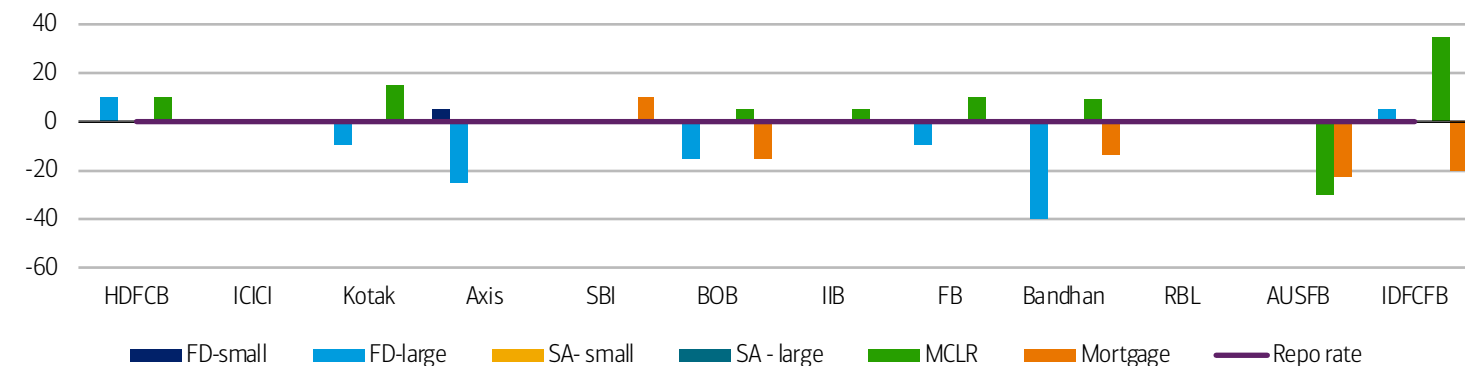


Source: BofA Global Research, Bloomberg

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Exhibit 11: Bank wise rate change (bps) – 1M

Bulk FD and mortgage rate saw some decline; stable interest rates on SA and small FD



Source: BofA Global Research Estimates, company websites

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Interest rate monitor – stable FD rates

We track market interest rate for savings account, fixed deposits and lending rates across banks and highlight the key trends –

Deposits – Banks have started reversing the aggressive rate hike in bulk FD

RBI did not take any rate hike in last MPC meeting held in Apr'23 given declining inflation trend. Now with Apr'23 CPI print of 4.7%, which is within RBI target, market is expecting a rate cut or pause to continue in next scheduled meeting (Jun'23). The turning of rate cycle is being reflected in FD rates, which have been mostly stable for small FD and some decline seen for banks who had taken aggressive hikes in the past.

No rate change in small FD since Mar'23 – Only Axis took minor rate hike in May'23, other banks continued to maintain rates in line with pause in repo rate hike.

Banks have started reversing rate hikes in bulk deposits – Almost 50% of banks took rate cuts in large deposits rates and few reduced rates for medium deposits - Kotak (-10 bps), Axis (-25 bps), Federal (10 bps), BOB (-15 bps), IDFCFB (-5 bps) and Bandhan (-40 bps). This is mainly led by expectation of repo rate cut in next meeting and aggressive rate revision in the past.

HDFCB outperforming peers with lowest rates and highest growth combination

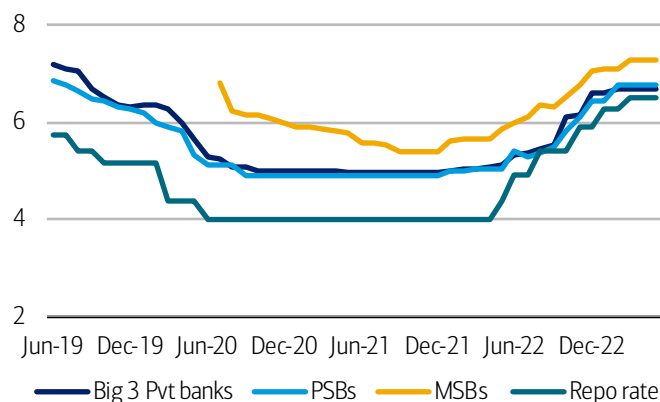
- HDFC Bk continues to offer lowest FD rates for 1 year bucket for both small and medium FD, almost 25-45 bps lower than peers. Kotak is offering highest rate among big 4 banks across buckets.

SA rates are stable across banks – Most banks (except RBL, IDFCFB) have not taken any rate hike in last 3 months across both small and large SA. In fact, big banks have not revised small SA rate since pick up in rate cycle.

BOB is offering 90 bps higher rate vs SBI for bulk deposits – While interest rate on small FD is in line with Big pvt banks for both SBI and BOB, there is big difference in interest rates between the bulk deposits. SBI's avg rate on 1 yr bulk deposit is 6.75% vs 7.55% for BOB.

Exhibit 12: FD rates for small deposits (%)

Pause in revision of small FD rates continued in May'23



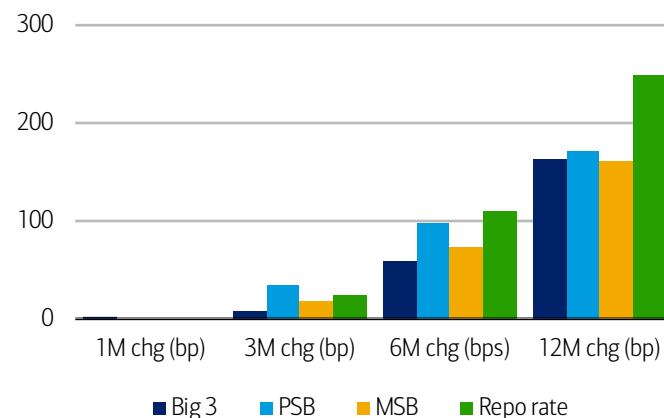
Source: BofA Global Research Estimates, Company websites

Note – FD rates for small deposits of <Rs 2Cr for 1 year

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Exhibit 13: Change in FD rates for small deposits (bps)

Small FD rate revision remains lower (by 80-90 bps) than repo rate hike

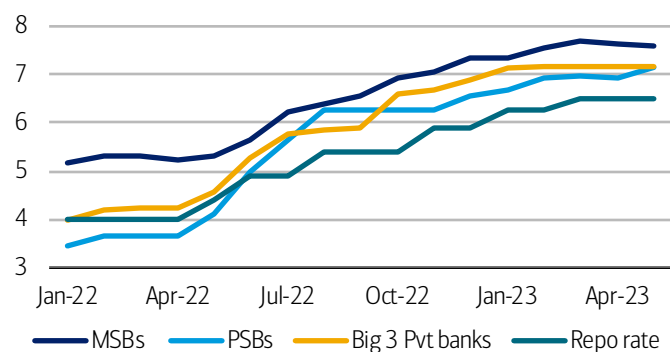


Source: BofA Global Research Estimates, Company websites

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Exhibit 14: FD rates for medium deposits (%)

MSBs on avg saw minor contraction in avg rate; BOB offering higher rate

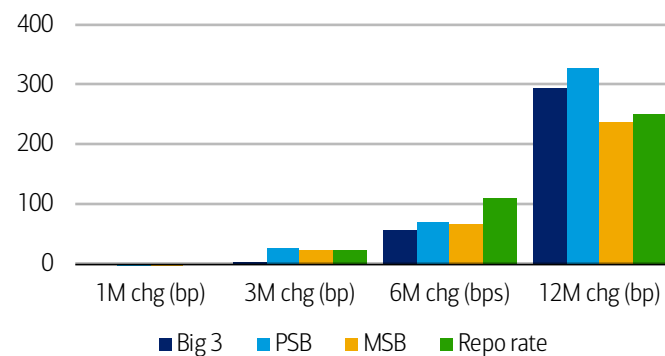


Source: BofA Global Research Estimates, Company websites
FD rates for medium deposits of Rs 2 Cr to Rs 5 Cr for 1 year

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Exhibit 15: Change in FD rates for medium deposits (bps)

Rate hike for medium FD has been higher for PSBs and Big 3 banks

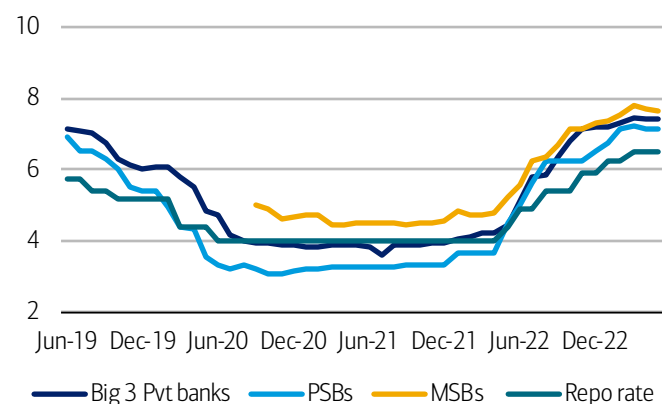


Source: BofA Global Research Estimates, Company websites

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Exhibit 16: FD rates for large deposits (%)

Interest rates for large deposits has started to come off in last 2 months

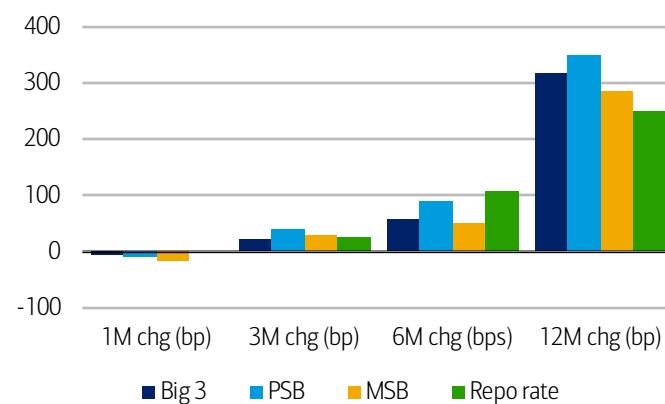


Source: BofA Global Research Estimates, Company websites
FD rates for large deposits of >Rs 25 Cr for 1 year

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Exhibit 17: Change in FD rates for large deposits (bps)

Rate hike trend has started to reverse for bulk FD

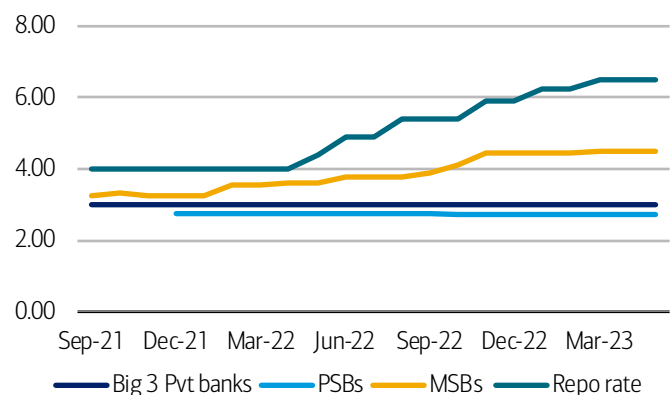


Source: BofA Global Research Estimates, Company websites

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Exhibit 18: Small SA rates (%)

Big 3 pvt banks and PSBs haven't revised SA rates

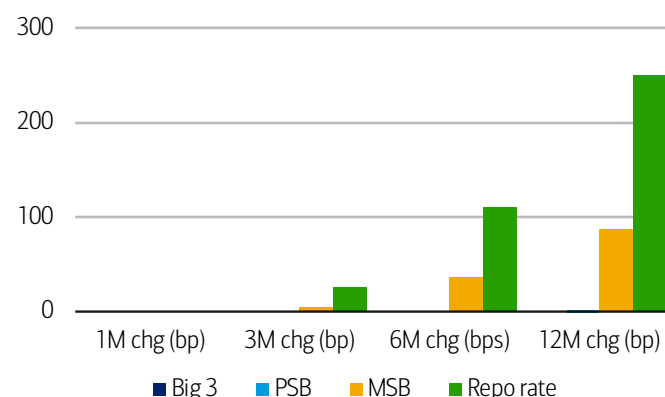


Source: BofA Global Research Estimates, Company websites
Note – Interest rates on SA (< Rs 50 lakhs)

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Exhibit 19: Small SA rate change (bps)

Only MSBs have revised small SA rates by ~90 bps in last 12M

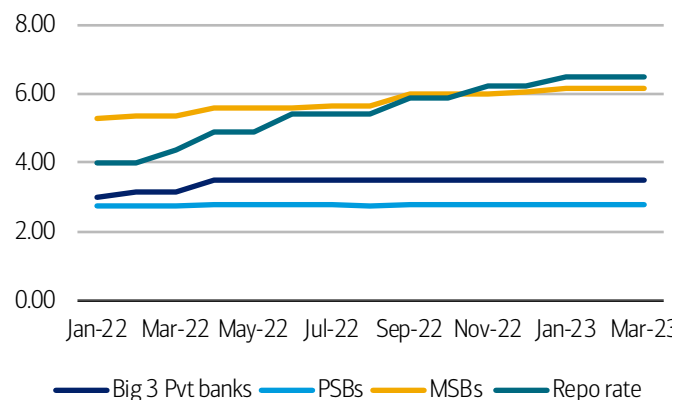


Source: BofA Global Research Estimates, Company websites
Note – Interest rates on SA (< Rs 50 lakhs)

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Exhibit 20: Large SA rates (%)

No change in large SA rate in last 4 months

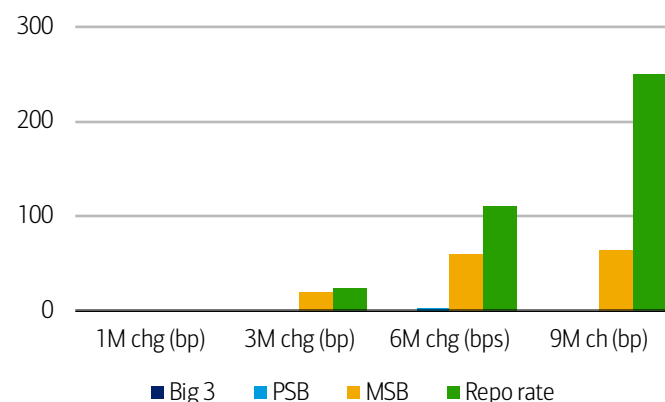


Source: BofA Global Research Estimates, Company websites
Note – Interest rates on SA (more than Rs 50 lakhs)

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Exhibit 21: Large SA rate change (bps)

RBL and IDFC First bank have taken hike in last 3M

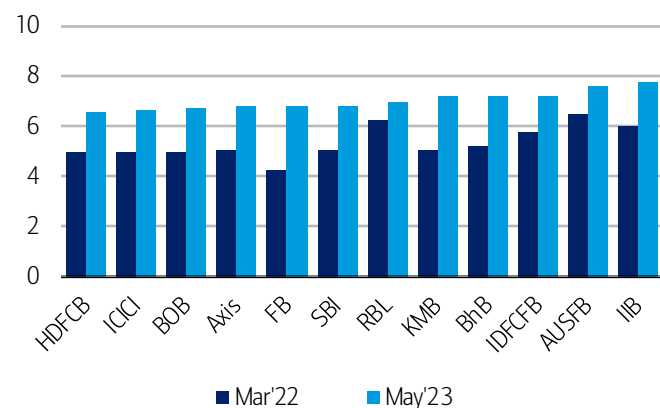


Source: BofA Global Research Estimates, Company websites
Note – Interest rates on SA (more than Rs 50 lakhs)

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Exhibit 22: Small FD rate (%) – May'23 vs Mar'22

HDFCB is offering lowest rate for small FD; KMB's rate close to MSBs

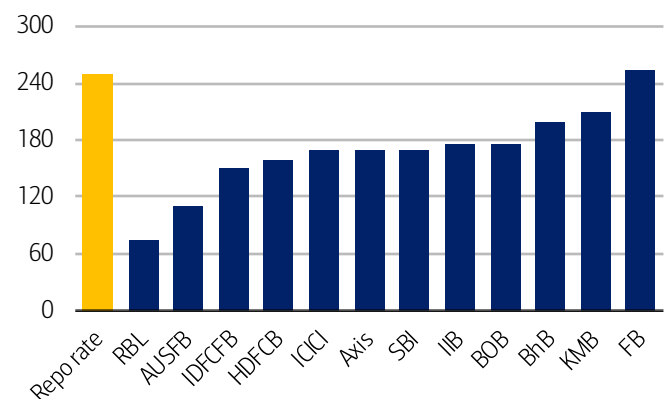


Source: BofA Global Research estimates, company
Note – FD refers to small FD (less than Rs 2 Cr)

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Exhibit 23: Small FD rate change (bp) - May'23 vs Mar'22

FB has taken highest rate hike, partially reflected in their deposit costs in 4Q

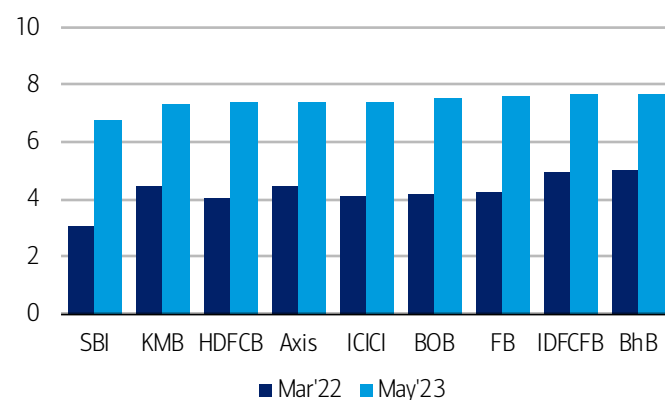


Source: BofA Global Research estimates, company
Note – FD refers to small FD (less than Rs 2 Cr)

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Exhibit 24: Large FD rate (%) - May'23 vs Mar'22

Big 4 banks are offering almost same rates: SBI offering lowest

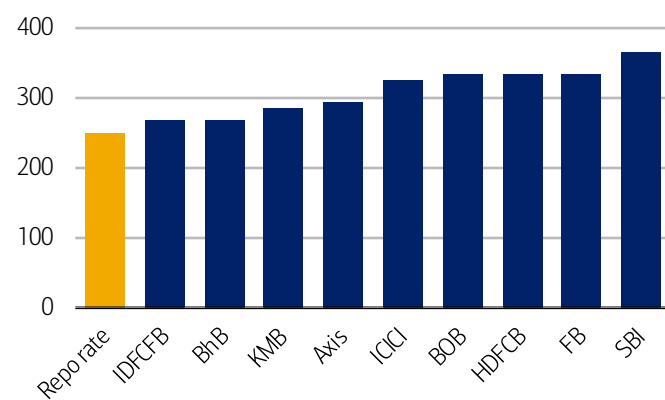


Source: BofA Global Research estimates, company
Note – large FD refers to FD with more than Rs 25 Cr balance

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Exhibit 25: Large FD rate (%) - May'23 vs Mar'22

Smaller banks have taken lower hike in large FD

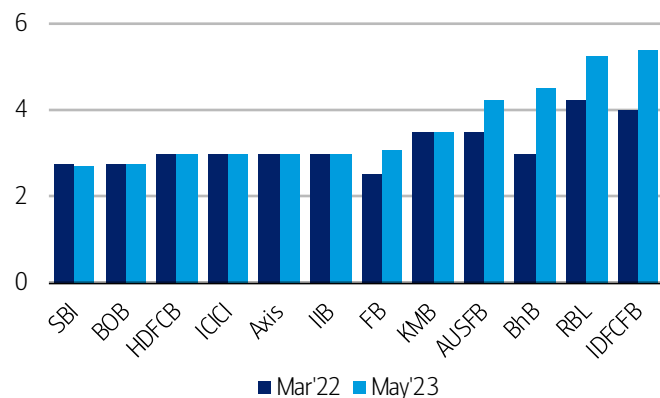


Source: BofA Global Research estimates, company
Note – large FD refers to FD with more than Rs 25 Cr balance

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Exhibit 26: Small SA rate (%) - May'23 vs Mar'22

MSBs are offering much higher rate for small SA vs big banks



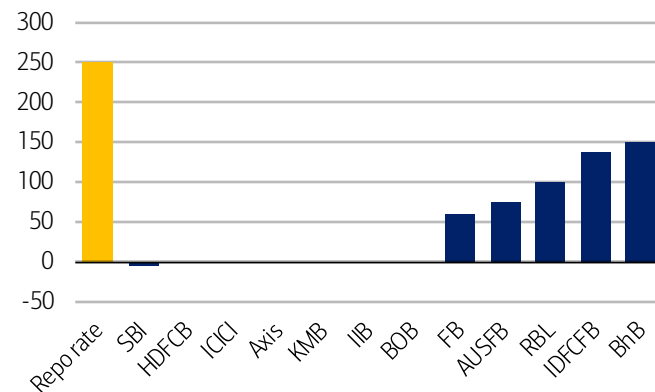
Source: BofA Global Research estimates, company

Note – Small SA refers to SA with less than Rs 50 lakhs of balance

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Exhibit 27: Large SA rate change (bps) - May'23 vs Mar'22

PSBs, Big pvt banks haven't revised rate for small SA



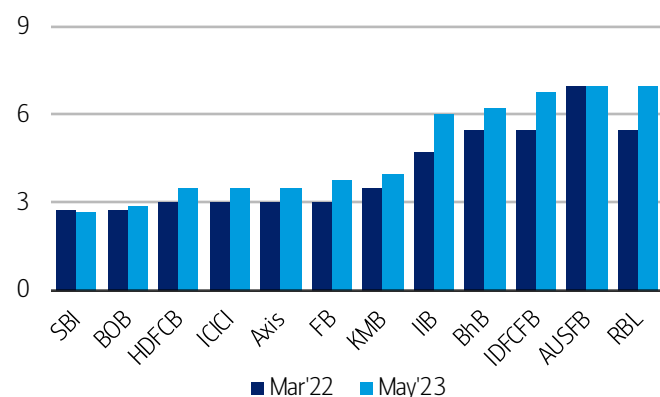
Source: BofA Global Research estimates, company

Note – Small SA refers to SA with less than Rs 50 lakhs of balance

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Exhibit 28: Large SA rate (%) - May'23 vs Mar'22

Federal continues to offer interest rate lower than its peers



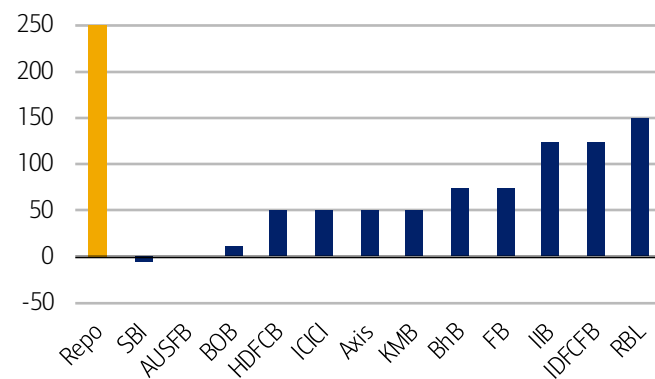
Source: BofA Global Research estimates, company

Note – Large SA refers to SA with more than Rs 50 lakhs of balance

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Exhibit 29: Large SA rate change (bps) - May'23 vs Mar'22

AUSFB stands out with negligible rate hike; MSBs have taken biggest hikes



Source: BofA Global Research estimates, company

Note – Large SA refers to SA with more than Rs 50 lakhs of balance

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Exhibit 30: Special FD schemes by banks

Most PSBs are offering higher rates on special FD schemes for limited period

Bank	Scheme	Tenor	Deposit amount	Scheme availability	Rate
SBI	Amrit Kalash	400 days	Less than 2 Cr		7.10
BOB	Baroda Tiranga Plus Scheme	399 days	Less than 2 Cr		7.05
Punjab Sindh Bank	Special Rate for Special days	1051 days	Less than 2 Cr	Up to 23rd Jun'23	6.50
Bank of India	Special rate for 501 days	501 days	Less than 2 Cr		7.15
Indian Bank	IND Super 400 days	400 days	Less than 2 Cr	Up to 30th Apr'23	7.15
IDBI Bank	Amrit Mahotsav FD scheme	444 days	Less than 2 Cr		7.15
Bandhan Bank	Special rate for 501 days	600 days	Less than 2 Cr		8.00

Source: BofA Global Research, Company Websites

Note – all the mentioned schemes are for small FD and for normal citizen

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Exhibit 31: Fixed deposit rate (%) – small deposits (< Rs 2Cr)

Only Axis has taken minor hike of 5 bps since Apr'23; Pace of rate hike has slowed down for big 3 banks in last 3M while PBSs have seen higher revision

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M chg (bp)
HDFC Bk	4.90	5.00	5.35	5.50	6.50	6.60	6.60	6.60	0	10	50	150
ICICI	4.90	5.00	5.35	5.70	6.60	6.70	6.70	6.70	0	10	60	170
Kotak	4.90	5.10	5.65	6.00	7.00	7.20	7.20	7.20	0	20	110	210
Axis	5.10	5.10	5.25	5.45	6.75	6.75	6.75	6.80	5	5	70	170
IndusInd	6.00	6.00	6.00	6.25	7.00	7.75	7.75	7.75	0	75	150	175
Federal	4.25	4.25	5.25	5.60	6.60	6.80	6.80	6.80	0	5	120	255
SBI	4.90	5.10	5.30	5.45	6.10	6.80	6.80	6.80	0	70	70	170
BOB	4.90	5.00	5.50	5.50	6.75	6.75	6.75	6.75	0	0	125	175
Bandhan	5.50	5.25	5.75	7.00	7.00	7.25	7.25	7.25	0	0	25	200
RBL	6.00	6.25	6.25	6.50	7.00	7.00	7.00	7.00	0	0	0	75
Aubank	5.85	6.50	6.60	6.60	7.35	7.60	7.60	7.60	0	25	50	110
IDFCB	4.75	5.75	6.00	6.00	7.25	7.25	7.25	7.25	0	0	100	150
Big 3	4.97	5.03	5.32	5.55	6.62	6.68	6.68	6.70	2	8	60	163
PSB	4.90	5.05	5.40	5.48	6.43	6.78	6.78	6.78	0	35	98	173
MSB	5.39	5.67	5.98	6.33	7.03	7.28	7.28	7.28	0	17	74	161
Avg FD rate - small deposit	5.16	5.36	5.69	5.96	6.83	7.04	7.04	7.04	0	18	77	168

Source: BofA Global Research Estimates, Company websites;

Note – FD rates for small deposits of <Rs 2Cr for 1 year

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Exhibit 32: Fixed deposit rate (%) – large deposits (> Rs 25 Cr)

Banks who had taken higher rate hikes have already started to see some cuts

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M chg (bp)
HDFC Bk	3.65	4.05	5.25	6.05	7.15	7.30	7.40	7.40	10	25	65	335
ICICI	4.00	4.15	5.00	6.50	7.15	7.40	7.40	7.40	0	25	60	325
Kotak	4.05	4.50	5.95	6.20	7.40	7.45	7.35	7.35	-10	-5	35	285
Axis	4.15	4.45	5.15	6.50	7.35	7.65	7.40	7.40	-25	15	50	290
IndusInd	NA	NA	NA	NA	NA	NA	NA	NA				
Federal	4.25	4.25	5.25	5.75	6.85	7.70	7.70	7.60	-10	40	90	335
SBI	3.10	3.10	4.75	6.00	6.50	6.75	6.75	6.75	0	25	75	365
BOB	3.60	4.21	5.25	6.50	6.50	7.70	7.55	7.55	-15	55	105	334
Bandhan	5.00	5.00	5.25	7.60	7.90	8.10	7.70	7.70	-40	-20	10	270
RBL	NA	NA	NA	NA	NA	NA	NA	NA				
Aubank	NA	NA	NA	NA	NA	NA	NA	NA				
IDFCB	4.50	4.95	6.25	6.70	7.25	7.60	7.70	7.65	5	65	50	255
Big 3	3.93	4.22	5.13	6.35	7.22	7.45	7.40	7.40	-5	22	58	317
PSB	3.35	3.66	5.00	6.25	6.50	7.23	7.15	7.15	-7	40	90	350
MSB	4.58	4.73	5.58	6.68	7.33	7.80	7.70	7.65	-15	28	50	287
Avg FD rate - large deposit	4.03	4.30	5.34	6.42	7.12	7.52	7.44	7.42	-9	25	60	310

Source: BofA Global Research Estimates, Company websites

Note – FD rates for large deposits of >Rs 25 Cr for 1 year

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Exhibit 33: Fixed deposit rate (%) – medium deposits (Rs 2Cr – Rs 5 Cr)

Few banks have taken rate cuts but mostly stable since Apr'23

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M chg (bp)
HDFC Bk	3.75	4.05	5.25	6.05	6.75	7.00	7.00	7.00	0	0	50	295
ICICI	4.00	4.15	4.95	5.50	6.90	7.25	7.25	7.25	0	15	75	310
Kotak	4.10	4.50	5.75	6.10	7.00	7.25	7.25	7.25	0	15	75	275
Axis	4.15	4.50	5.60	6.10	7.00	7.25	7.25	7.25	0	0	45	275
IndusInd	5.35	5.35	5.60	6.15	7.25	7.90	7.90	7.90	0	105	175	255
Federal	4.25	5.15	5.25	6.25	6.85	7.70	7.70	7.60	-10	40	90	335
SBI	3.10	3.10	4.75	6.00	6.50	6.75	6.75	6.75	0	25	75	365
BOB	3.80	4.25	5.25	6.50	6.63	7.23	7.15	7.55	33	68	105	330
Bandhan	5.00	5.00	5.25	7.25	7.90	8.10	7.70	7.70	-40	-20	10	270
RBL	6.00	6.25	6.25	6.50	7.28	7.28	7.28	7.28	0	0	28	103
Aubank	NA	NA	NA	NA	NA	NA	NA	NA				
IDFCB	4.45	4.90	5.95	6.70	7.45	7.50	7.50	7.50	0	-5	35	225
Big 3	3.97	4.23	5.27	5.88	6.88	7.17	7.17	7.17	0	5	57	293
PSB	3.45	3.68	5.00	6.25	6.56	6.99	6.95	7.15	16	46	90	348
MSB	5.01	5.33	5.66	6.57	7.35	7.70	7.62	7.60	-10	24	68	238

Exhibit 33: Fixed deposit rate (%) – medium deposits (Rs 2Cr – Rs 5 Cr)

Few banks have taken rate cuts but mostly stable since Apr'23

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Apr-23	May-23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M chg (bp)
Overall Avg	4.07	4.40	5.33	6.27	7.00	7.34	7.28	7.32	-2	15	62	298

Source: BofA Global Research Estimates, Company websites

Note – FD rates for medium deposits of Rs 2-5 Cr for 1 year

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Exhibit 34: Savings deposit rate (%) - small deposits (< Rs 50 lakhs)

Big 4 banks and PSBs have seen no rate revision; IIB, Federal and AUSFB stand out with small rate increases of 50-75 bps in last 12M

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Apr-23	May-23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0	0	0	0
ICICI	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0	0	0	0
Kotak	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	0	0	0	0
Axis	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0	0	0	0
IndusInd	4.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	0	0	0	0
Federal	2.50	2.50	2.50	3.00	3.05	3.10	3.10	3.10	0	5	10	60
SBI	2.75	2.75	2.75	2.75	2.70	2.70	2.70	2.70	0	0	0	-5
BOB		2.75	2.75	2.75	2.75	2.75	2.75	2.75	0	0	0	0
Bandhan	3.00	3.00	3.00	3.00	4.50	4.50	4.50	4.50	0	0	0	150
RBL		4.25	4.25	4.25	5.25	5.25	5.25	5.25	0	0	100	100
Aubank	3.50	3.50	3.50	3.50	4.25	4.25	4.25	4.25	0	0	75	75
IDFCFB		4.00	5.00	5.00	5.13	5.38	5.38	5.38	0	25	38	138
Big 3	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0	0	0	0
PSB		2.75	2.75	2.75	2.73	2.73	2.73	2.73	0	0	0	-2
MSB		3.54	3.79	3.88	4.45	4.50	4.50	4.50	0	5	37	87
Avg savings rate	3.21	3.27	3.40	3.44	3.72	3.74	3.74	3.74	0	3	19	43

Source: BofA Global Research Estimates, Company websites

Note – Interest rates on SA (< Rs 50 lakhs)

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Exhibit 35: Savings deposit rate (%) - large deposits (> Rs 50 lakhs)

AUSFB and FB stand out amongst MSBs with no rate hike in past 12M vs avg of 85 bps for MSBs

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Apr-23	May-23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk		3.00	3.50	3.50	3.50	3.50	3.50	3.50	0	0	0	0
ICICI		3.00	3.50	3.50	3.50	3.50	3.50	3.50	0	0	0	50
Kotak		3.50	4.00	4.00	4.00	4.00	4.00	4.00	0	0	0	50
Axis		3.00	3.50	3.50	3.50	3.50	3.50	3.50	0	0	0	50
IndusInd		4.75	4.75	4.75	6.00	6.00	6.00	6.00	0	0	125	125
Federal									0	0	0	0
SBI		2.75	2.75	2.75	2.70	2.70	2.70	2.70	0	0	0	-5
BOB		2.75	2.83	2.83	2.88	2.88	2.88	2.88	0	0	5	13
Bandhan		5.50	6.00	6.00	6.25	6.25	6.25	6.25	0	0	25	75
RBL		5.50	6.00	6.25	6.50	7.00	7.00	7.00	0	50	75	100
Aubank		7.00	7.00	7.00	7.00	7.00	7.00	7.00	0	0	0	0
IDFCFB		5.50	6.00	6.00	6.25	6.75	6.75	6.75	0	50	75	125
Big 3		3.00	3.50	3.50	3.50	3.50	3.50	3.50	0	0	0	33
PSB		2.75	2.79	2.79	2.79	2.79	2.79	2.79	0	0	2	4
MSB		5.65	5.95	6.00	6.40	6.60	6.60	6.60	0	20	60	85
Avg savings rate		4.20	4.53	4.55	4.73	4.83	4.83	4.83	0	9	28	53

Source: BofA Global Research Estimates, Company websites

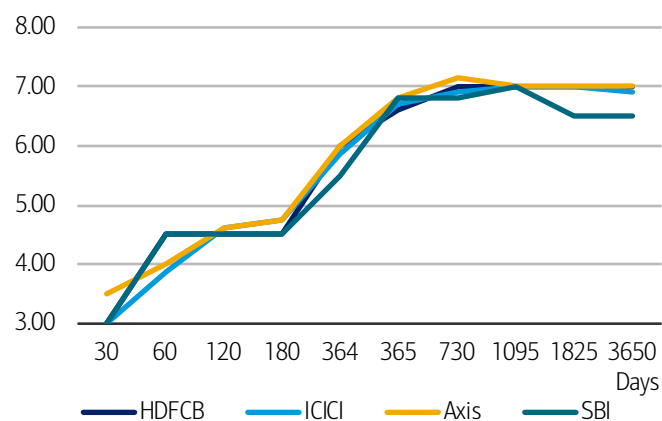
Note – Interest rates on SA (> Rs 50 lakhs)

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Deposit yield curve for big banks

Exhibit 36: Small FD – Interest rate (%) vs tenure (days)

Rate gap between Big 3 pvt bks and SBI is wider for longer tenure FD

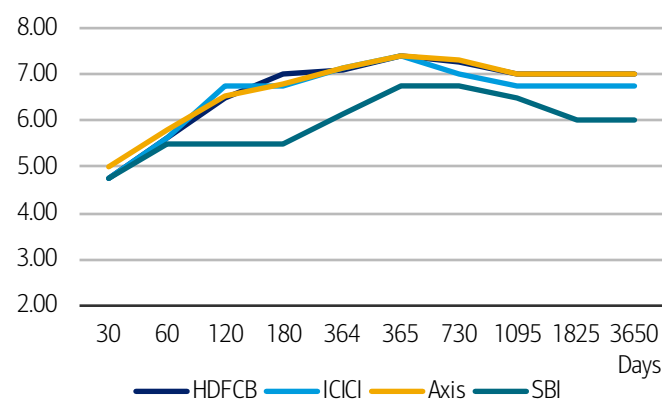


Source: BofA Global Research, Company

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Exhibit 37: Large FD – Interest rate (%) vs tenure (days)

SBI offers lower interest rate across tenure for large FD; Axis is offering the highest



Source: BofA Global Research, Company

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Lending rates – rate cuts in mortgage but MCLR continues to inch up

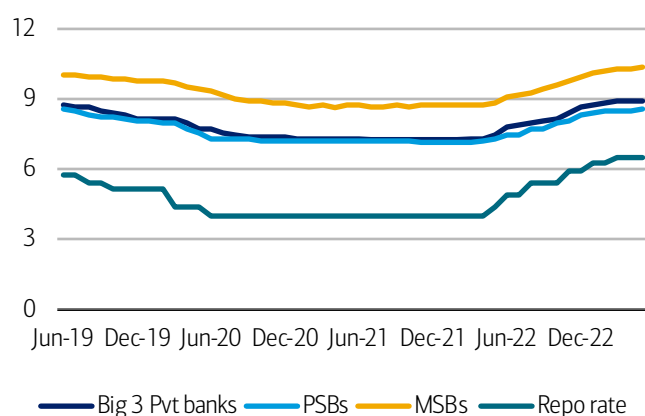
Higher competition in mortgage - 10-20 bps rate decline for few banks – BOB, BHB, AUSFB and IDFCB saw 10-20 bps decline in mortgage rate in May'20. No bank has seen increase in rates since Apr'23, except SBI (10 bps in May'23). Avg mortgage rate continue to remain stable at ~10%.

MCLR rate continued to trend upwards – Most banks under coverage have seen 10-30 bps/0-15 bps increase in 1 yr MCLR in last 3M/1M. The repricing of MCLR will help banks partially offset higher deposit cost in coming qtr.

Auto loans – more rate hikes coming in - Big 3 banks have increased auto lending rates by 40 bps in last 1 month led by better demand and lag in loan repricing (vs floating rated book). SBI and BOB also saw 15-20 bps increase in rates in last 1M.

Exhibit 38: MCLR -1 yr (%)

MCLR continued to increase across banks but at slower pace

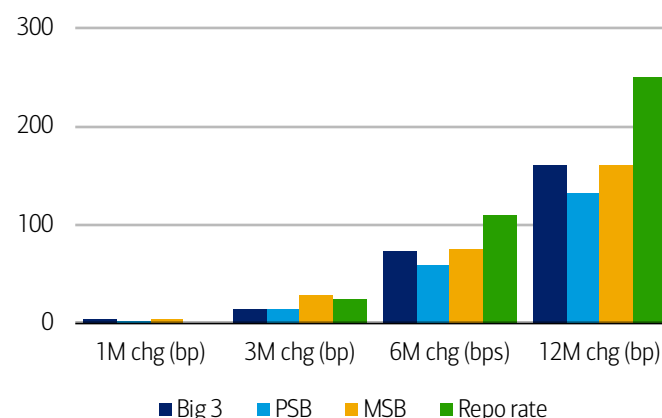


Source: BofA Global Research Estimates, Company websites

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Exhibit 39: MCLR (1 yr) change (bps)

Overall MCLR increase is still much lower than repo rate hike

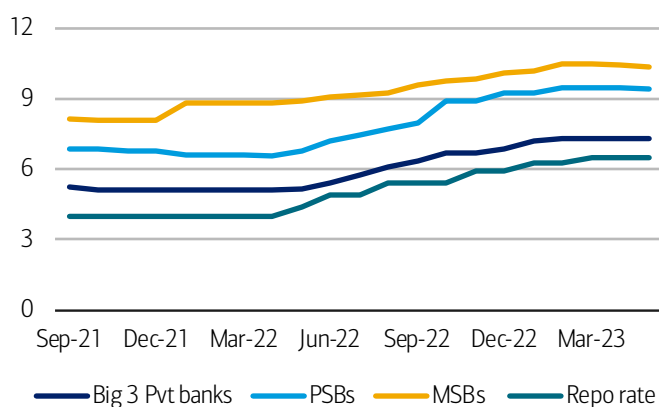


Source: BofA Global Research Estimates, Company websites

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Exhibit 40: Mortgage rates (%)

Minor rate cuts in mortgage rates signs towards higher competition



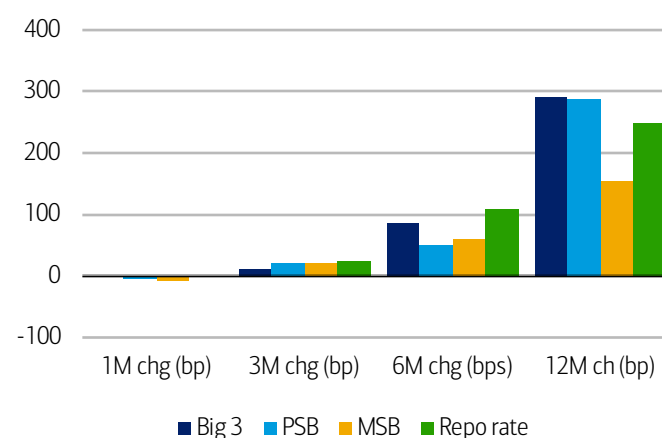
Source: BofA Global Research Estimates, Company websites

Note – Mortgage rates for Salaried customers, general category, male, amt between Rs 35-70 L

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Exhibit 41: Mortgage rate change (bps)

PSBs and big 3 pvt banks are leading in mortgage rate revision

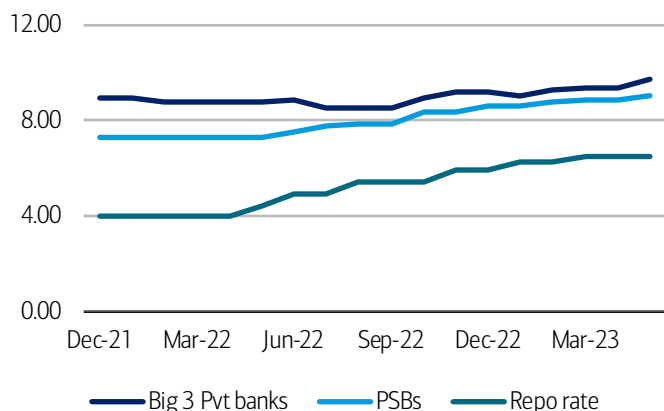


Source: BofA Global Research Estimates, Company websites

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Exhibit 42: Auto loan rates (%)

Pace of repricing has picked up for auto loans in last few months re



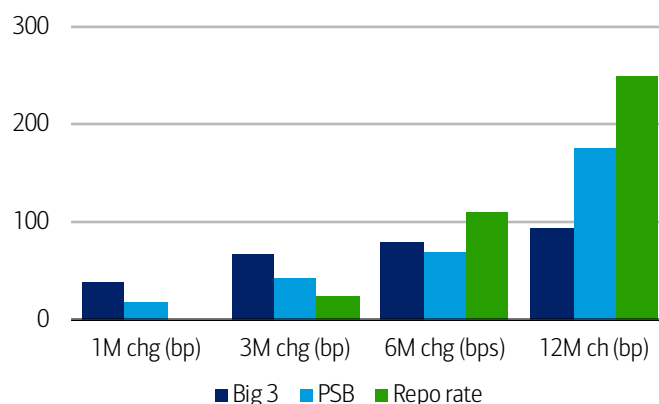
Source: BofA Global Research Estimates, Company websites

Note – Auto loan rate is taken as avg of upper and lower limit of auto loan rate

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Exhibit 43: Auto loan rate change (bps)

SBI/BOB have raised interest on auto loan by 40/45 bps in last 3 months



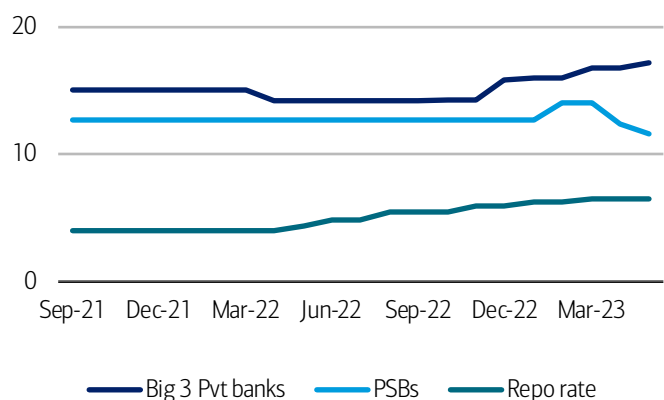
Source: BofA Global Research Estimates, Company websites

Note – Auto loan rate is taken as avg of upper and lower limit of auto loan rate

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Exhibit 44: SME loan rate (%)

PSBs cutting SME rate to drive higher growth



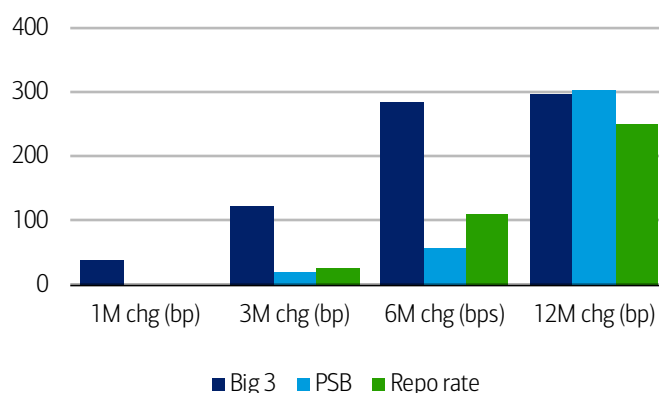
Source: BofA Global Research Estimates, Company websites

Note – SME loan rate is taken as avg of upper and lower limit of SME loan rate

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Exhibit 45: SME loan rate change (bps)

Big 3 banks have taken hike in SME loan given healthy demand



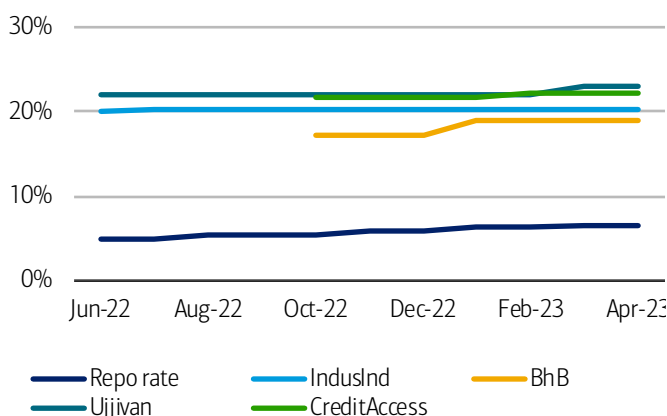
Source: BofA Global Research Estimates, Company websites

Note – SME loan rate is taken as avg of upper and lower limit of SME loan rate

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Exhibit 46: MFI loan rates (%)

BhB has lowest MFI rate but has seen biggest increase in last 6M



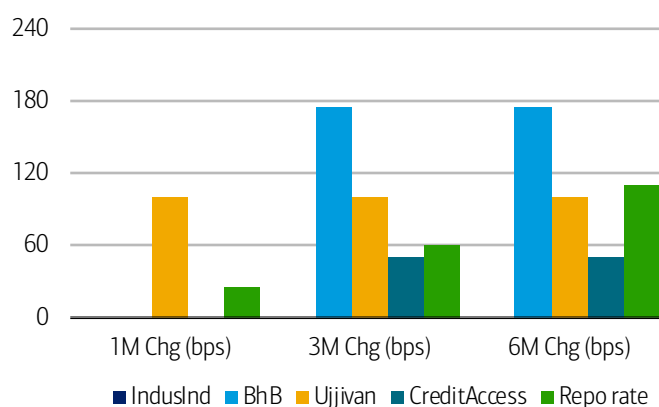
Source: BofA Global Research Estimates, Company websites

Note – MFI loan rate is average of rates offered on different MFI loan schemes by the bank

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Exhibit 47: MFI loan rate change (bps)

BhB has taken highest rate hike while IIB's rate has been flat in last 6M



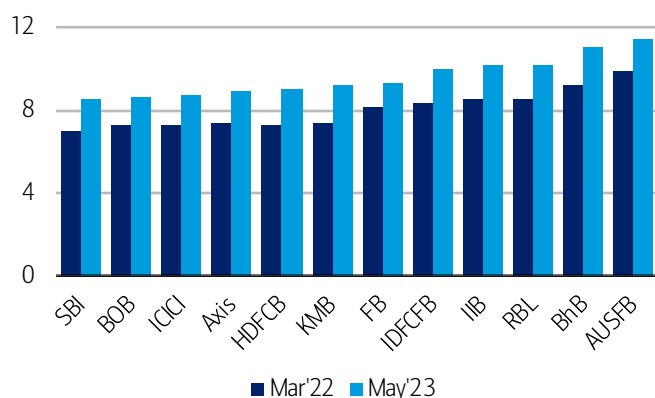
Source: BofA Global Research Estimates, Company websites

Note – MFI loan rate is average of rates offered on different MFI loan schemes by the bank

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Exhibit 48: MCLR (%) – Apr'23 vs Mar'22

Larger banks are at lower MCLR level given their lower funding cost

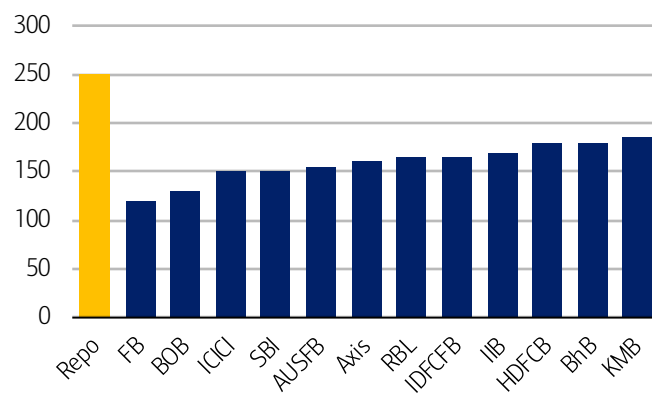


Source BofA Global Research estimates, company

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Exhibit 49: MCLR (bps)- Apr'23 vs Mar'22

MCLR rate hike is in the range of 120-185 bps across banks under coverage

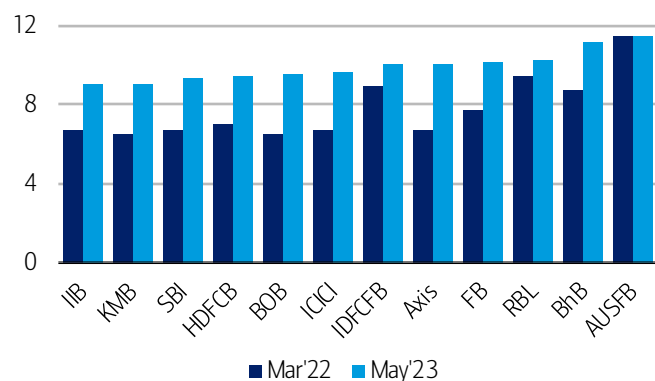


Source: BofA Global Research estimates, company

BofA GLOBAL RESEARCH

Exhibit 50: Mortgage rate (%) - Apr'23 vs Mar'22

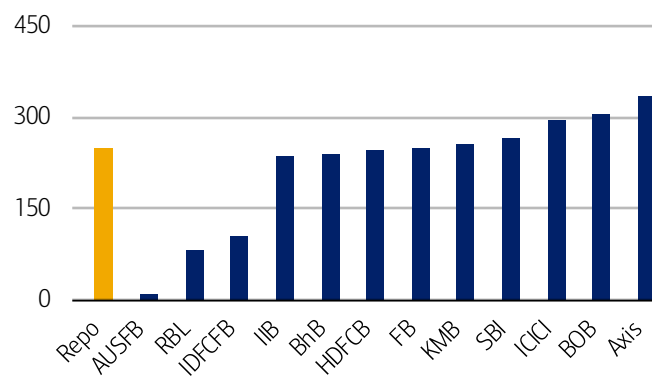
Rate differential for mortgage has reduced across banks



Source: BofA Global Research estimates, company

Note – Mortgage rates for Salaried customers, general category, male, amt between Rs 35-70 L
BofA GLOBAL RESEARCH**Exhibit 51: Mortgage rate (bps) - Apr'23 vs Mar'22**

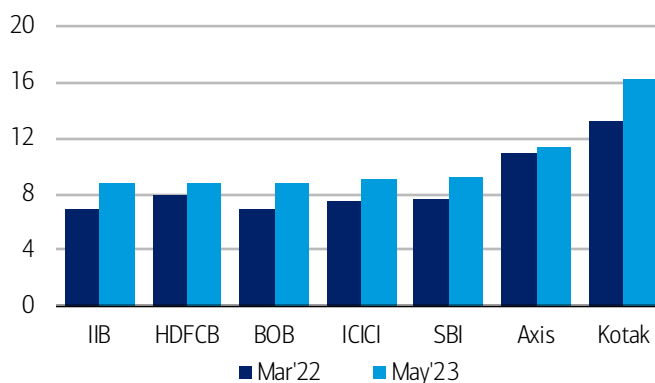
Big banks have taken 255-335 bps rate hike in past 1 yr



Source: BofA Global Research estimates, company

Note – Mortgage rates for Salaried customers, general category, male, amt between Rs 35-70 L
BofA GLOBAL RESEARCH**Exhibit 52: Auto loan rate (%) - Apr'23 vs Mar'22**

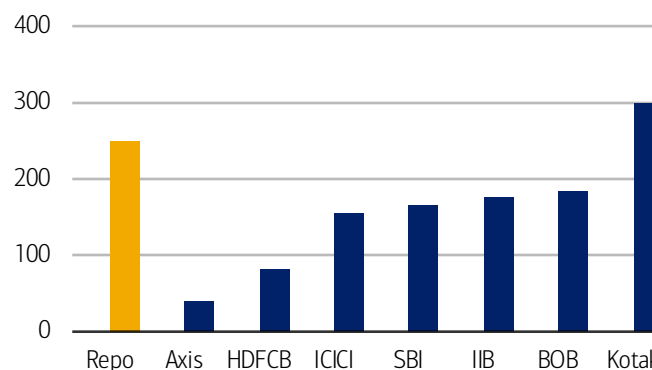
IIB's avg auto loan rate is lowest amongst peers...



Source: BofA Global Research estimates, company

Note – Auto loan rate is taken as avg of upper and lower limit of auto loan rate
BofA GLOBAL RESEARCH**Exhibit 53: Auto loan rate (bps) - Apr'23 vs Mar'22**

...despite taking rate hike in lien with peer avg



Source: BofA Global Research estimates, company

Note – Auto loan rate is taken as avg of upper and lower limit of auto loan rate
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Exhibit 54: MCLR – 1 yr(%)

MCLR repricing pace has slowed down but still trending up

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk	7.20	7.25	7.85	8.20	8.60	8.95	8.95	9.05	10	20	85	180
ICICI	7.25	7.25	7.55	8.00	8.65	8.75	8.75	8.75	0	10	45	150
Kotak	7.20	7.35	7.85	8.10	8.65	9.05	9.05	9.20	15	25	75	180
Axis	7.35	7.35	7.95	8.05	8.75	8.95	8.95	8.95	0	15	90	155
IndusInd	8.45	8.50	9.00	9.30	9.95	10.15	10.15	10.20	5	25	65	165
Federal	8.10	8.10	8.20	8.50	8.70	9.20	9.30	9.30	10	30	80	140
SBI	7.00	7.00	7.40	7.70	8.30	8.50	8.50	8.50	0	20	55	140
BOB	7.30	7.30	7.50	7.70	8.30	8.55	8.55	8.60	5	10	65	125
Bandhan	9.25	9.25	9.25	9.95	10.75	10.96	11.13	11.05	9	30	73	180
RBL	8.25	8.55	9.05	9.05	9.90	10.20	10.20	10.20	0	25	50	160
Aubank	10.05	9.90	10.25	10.70	11.05	11.75	11.25	11.45	-30	10	75	155
IDFCB	8.40	8.35	8.65	8.95	9.35	9.65	9.85	10.00	35	50	105	165
Big 3	7.27	7.28	7.78	8.08	8.67	8.88	8.88	8.92	3	15	73	162
PSB	7.15	7.15	7.45	7.70	8.30	8.53	8.53	8.55	3	15	60	133
MSB	8.75	8.78	9.07	9.41	9.95	10.32	10.31	10.37	5	28	75	161
Avg MCLR	7.98	8.01	8.38	8.68	9.25	9.56	9.55	9.60	5	23	72	158

Source: BofA Global Research Estimates, Company websites

Note- MCLR is for 1 yr tenure

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Exhibit 55: Mortgage rates (%)

Few banks have taken small cut in mortgage rate given higher competitive intensity

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk	7.05	7.05	7.45	8.65	9.50	9.50	9.50	9.50	0	5	35	245
ICICI	6.70	6.70	7.10	8.48	9.25	9.65	9.65	9.65	0	33	89	295
Kotak	6.55	6.55	7.50	8.25	8.83	9.10	9.10	9.10	0	28	45	255
Axis	6.75	6.75	7.00	8.28	8.78	10.10	10.10	10.10	0	0	133	335
IndusInd	6.70	6.70	6.70	7.35	8.60	9.08	9.08	9.08	0	48	82	238
Federal	7.70	7.70	8.60	9.10	9.95	10.20	10.20	10.20	0	25	60	250
SBI	7.05	6.70	7.05	8.05	9.10	9.25	9.25	9.35	10	25	60	270
BOB	6.50	6.50	7.40	7.95	9.40	9.70	9.70	9.55	-15	15	43	305
Bandhan	8.50	8.80	9.00	10.98	11.30	11.33	11.33	11.19	-14	-14	21	239
RBL	8.65	9.50	9.50	9.50	9.50	10.33	10.33	10.33	0	82	82	82
Aubank	8.00	11.45	11.45	11.53	11.47	11.77	11.54	11.54	-23	-23	7	9
IDFCB	9.00	9.00	9.00	9.00	10.00	10.25	10.25	10.05	-20	5	105	105
Big 3	6.83	6.83	7.18	8.47	9.18	9.75	9.75	9.75	0	13	85	292
PSB	6.78	6.60	7.23	8.00	9.25	9.48	9.48	9.45	-2	20	51	288
MSB	8.09	8.86	9.04	9.58	10.14	10.49	10.45	10.40	-9	21	60	154
Avg Mortgage rate	7.43	7.78	8.15	8.93	9.64	10.02	10.00	9.97	-5	19	63	219

Source: BofA Global Research Estimates, Company websites

Note – Mortgage rates for Salaried customers, general category, male, amt between Rs 35-70 lakhs

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Exhibit 56: Auto loan rates (%)

Auto loan repricing seems to have picked up pace

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk	7.95	7.95	7.95	7.95	8.18	8.36	8.36	8.78	42	42	83	83
ICICI	7.90	7.50	7.50	7.85	8.46	8.69	8.69	9.06	37	117	81	156
Kotak	13.25	13.25	13.25	13.25	13.25	16.25	16.25	16.25	0	0	300	300
Axis	10.98	10.98	11.18	9.80	10.90	11.00	11.00	11.38	38	45	75	40
IndusInd	7.00	7.00	7.00	8.00	8.00	8.75	8.75	8.75	0	4	75	175
SBI	7.60	7.60	7.70	8.10	8.80	9.05	9.05	9.25	20	40	100	165
BOB	7.00	7.00	7.40	7.70	8.45	8.70	8.70	8.85	15	45	40	185
Big 3	8.94	8.81	8.88	8.53	9.18	9.35	9.35	9.74	39	68	80	93
PSB	7.30	7.30	7.55	7.90	8.63	8.88	8.88	9.05	18	43	70	175
Avg Auto	8.81	8.75	8.85	8.95	9.43	10.11	10.11	10.33	22	42	108	158

Source: BofA Global Research Estimates, Company websites

Note – we are taking average of lower and upper limit of auto loan rate

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Exhibit 57: SME loan rates (%)

PSBs have taken rate cut in SME as focus is on higher growth

	Dec-21	Mar-22	Jun-22	Sep-22	Feb'23	Mar'23	Apr'23	May'23	1M chg (bp)	3M chg (bp)	6M chg (bps)	12M ch (bp)
HDFC Bk	11.90	11.90	11.90	11.90	16.25	16.25	16.25	16.25	0	0	435	435
ICICI	16.50	16.50	16.50	16.50	17.00	19.55	19.55	19.55	0	255	305	305
Kotak	16.00	16.00	16.00	16.00	21.00	21.00	21.00	21.00	0	0	500	500
Axis	17.00	17.00	14.25	14.25	14.65	14.65	14.65	15.80	115	115	115	155
IndusInd	21.00	21.00	21.00	21.00	22.00	22.00	22.00	22.00	0	100	100	100
SBI	11.20	11.20	11.20	11.20	12.60	12.60	12.60	11.00	-160	-20	-20	-20
BOB	14.10	14.10	14.10	14.10	15.50	15.50	12.23	12.23	-328	-188	-188	-188
Big 3	15.13	15.13	14.22	14.22	15.97	16.82	16.82	17.20	38	123	285	298
PSB	12.65	12.65	12.65	12.65	14.05	14.05	12.41	11.61	-244	-104	-104	-104
Avg SME	15.39	15.39	14.99	14.99	17.00	17.36	16.90	16.83	-53	37	178	184

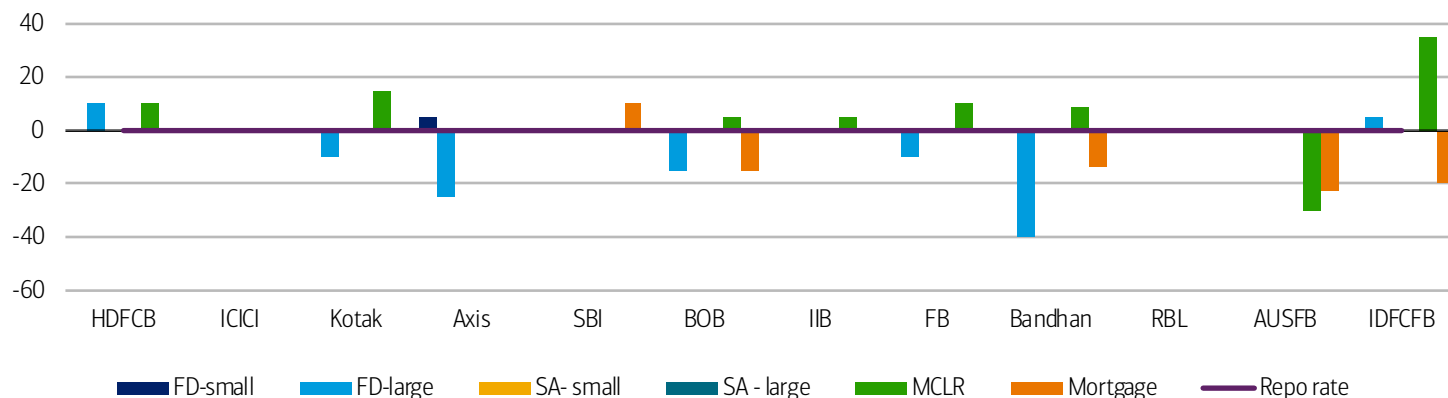
Source: BofA Global Research Estimates, Company websites

Note – we are taking average of lower and upper limit of SME loan rate

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Exhibit 58: Bank wise rate change (bps) – 1M

Banks saw rate cuts in bulk FD and mortgage in since Apr'23

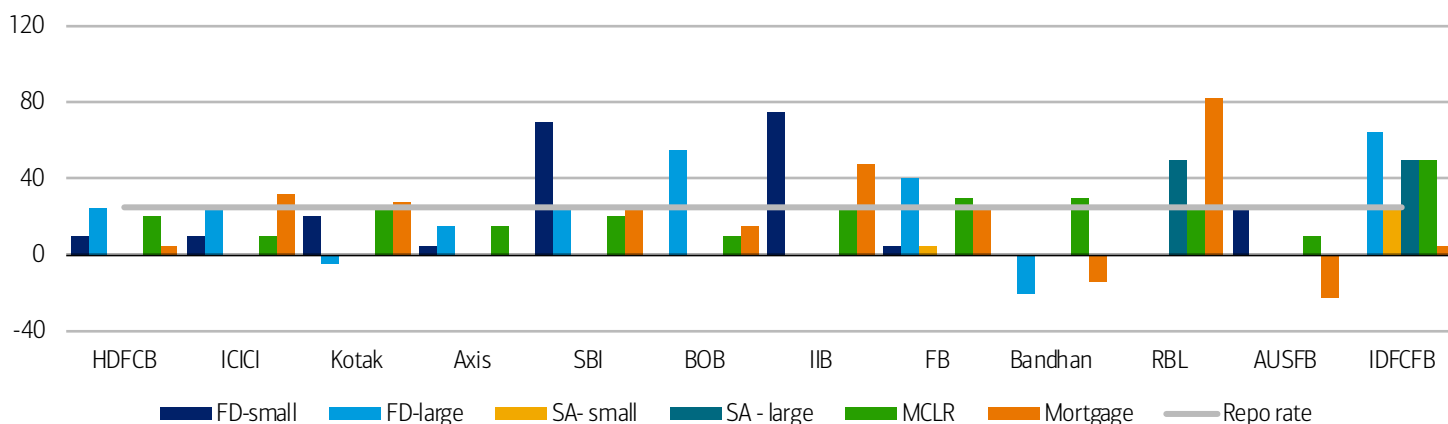


Source: BofA Global Research Estimates, company websites

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Exhibit 59: Bank wise rate change (bps) – 3M

Small FD repricing has been slower in last 3 months; rate revision in other segments have been in line with repo rate hike

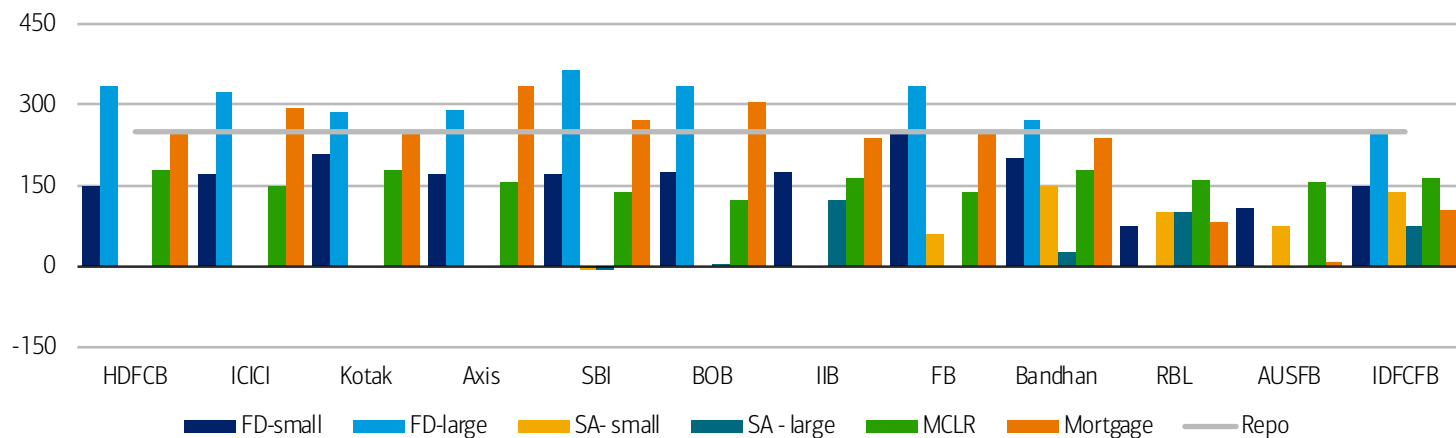


Source: BofA Global Research Estimates, company websites

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Exhibit 60: Bank wise rate change (bps) – 12M

Interest rate on large FD and mortgage have been ahead of rise in repo rate in last 12 months



Source: BofA Global Research Estimates, Company websites

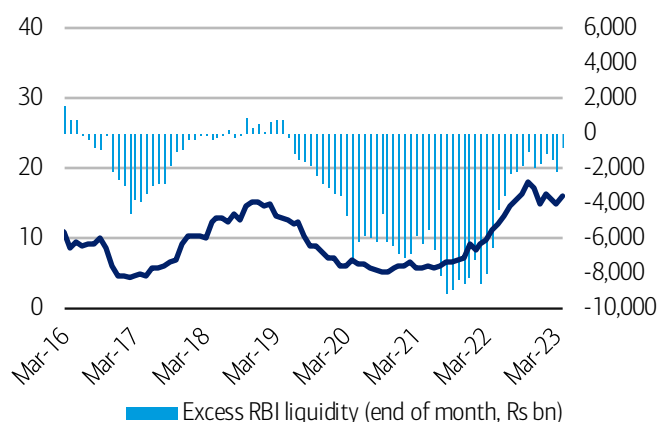
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Certificate of Deposits – higher volume level holding up

- **Banks CD volume surpassed last peak in Jan'23 and continues to remain at higher level** – Banks continue to use certificates of deposits to fund short term credit growth. The total CD volume has surpassed last peak and continued to remain at higher level of Rs 2.7 Tn+ (Rs 3 Tn in Apr'23).
- **CD rate stable at 7.8% in Mar-Apr'23** – Overall increase in CD rate has been lower at 230 bps than repo rate hike in last 12M. But CD rate hike in last 3 months has been higher at 76 bps to 7.8% vs 25 bps hike in repo rate.

Exhibit 61: RBI liquidity operation (Rs bn) vs credit growth (%)

Surplus liquidity improved in Mar'23 to Rs 2.2 tn

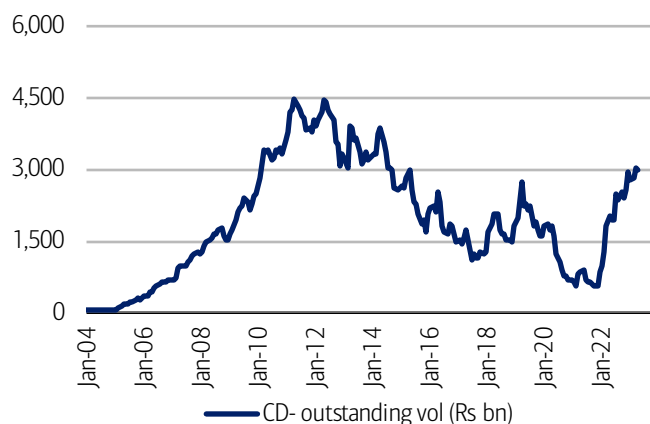


Source: BofA Global Research, Bloomberg

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Exhibit 62: India SCBs CD - volume (Rs bn)

CD volume has been holding up well at higher than last peak level



Source: BofA Global Research, Bloomberg

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Exhibit 63: India SCBs CD- avg interest rate (%)

Avg CD rate has been stable in last 2 months

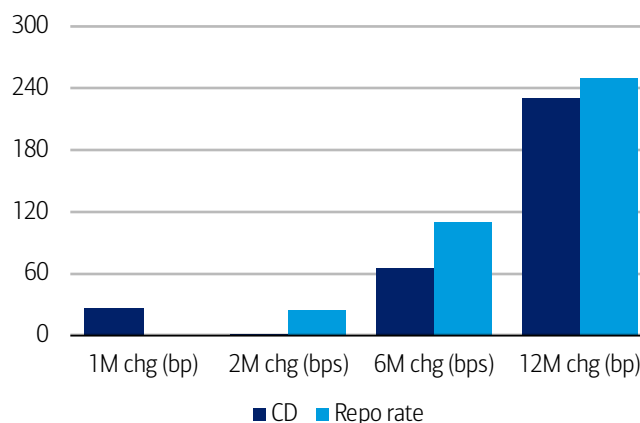


Source: BofA Global Research, Bloomberg

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Exhibit 64: Avg CD rate change (bps)

CD rate revision in last 1M has been higher vs repo rate



Source: BofA Global Research, Bloomberg, RBI

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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