

# ICICI Bank interest rates on deposits: 1-year rates reduced by 15 bps

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ICICI Bank, the country's second-largest private sector lender by assets, has reduced the interest rate on one-year deposits by 15 basis points (bps) to 6.6% per annum. The reduced rate will apply to fixed deposits of under Rs 1 crore with a tenure of between one year and 389 days. The bank has left rates on retail deposits of most other tenures unchanged. Deposits maturing between 390 days and two years continue to earn 6.75%, while those with longer maturities yield 6.5%. The bank also cut interest rates on bulk deposits with maturities of 18 months or more by 10 basis points (bps) to 6.4%.

ICICI Bank's closest rivals State Bank of India (SBI) and HDFC Bank pay 6.25% and 6.75%, respectively, on one-year deposits of under Rs 1 crore. Among other large state-owned lenders, Punjab National Bank (PNB) and Bank of Baroda (BoB) both pay 6.6% for one-year retail deposits. ICICI Bank's move to cut deposit rates seems to conflict with the recent decisions of SBI and PNB to raise rates on bulk deposits. Late last month, the country's largest lender had raised the interest rate on deposits of between Rs 1 crore and Rs 10 crore by 100 bps to 5.25%, while PNB followed with an increase of 50 bps to 5%, leading analysts to believe that the rate-easing cycle may be over.

Investment bank Jefferies wrote that interest rates are only going to trend upwards from here, even though the policy rate may not immediately move in that direction. "The gap between the 10-year generic treasury and repo rate too has opened up considerably and is nearing the 1.5% mark from which a reversal usually takes shape," analysts at Jefferies wrote. "Likewise, the credit risk spread between BBB- and AAA is at its widest, usually the bottom of the cycle."

With liquidity levels normalising and strains from demonetisation and the rollout of the Goods and Services Tax (GST) dissipating, both interest rates and credit offtake are set to inch up, Jefferies wrote.

Despite ICICI Bank's rate moves, however, its rates on bulk deposits are still far higher than those of the large public sector banks, while it has aligned retail deposit rates with some of them. Some analysts observed that the wide difference between rates offered by state-owned banks and their privately-owned peers may have caused the two large PSBs to raise bulk deposit rates earlier.

And ICICI Bank's latest move will further narrow the gap.