July 28, 2023

BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East)
Mumbai 400 051

Dear Sir/Madam,

Please find attached the transcripts of the Call with Media and of Earnings Call with analysts and investors on the financial results for the quarter ended June 30, 2023.

The same has also been uploaded on the website of the Bank and can be accessed at the below links:

Sr. No	Particulars	Link
1.	Transcript of the Media Conference Call	https://www.icicibank.com/about-us/news
2.	Transcript of the Earnings Call with Analysts and Investors	https://www.icicibank.com/about-us/qfr

This is for your records and information.

Yours sincerely,
For ICICI Bank Limited

VIVEK RANJAN
Digitally signed by VIVEK RANJAN
DN: cn=VIVEK RANJAN, o, ou, email=vivek.r@icicibank.com, c=IN
Date: 2023.07.28 13:19:03 +05'30'

Vivek Ranjan
Assistant General Manager

Encl.: As above

Copy to-
(i) New York Stock Exchange (NYSE)
(ii) Securities Exchange Commission (SEC)
(iii) Singapore Stock Exchange
(iv) Japan Securities Dealers Association
(v) SIX Swiss Exchange Ltd.

ICICI Bank Limited

Media conference call for quarter ended June 30, 2023

on July 22, 2023

Moderator:

Ladies and gentlemen, we welcome you all to ICICI Bank's Results Conference Call, with Mr. Sandeep Batra, Executive Director, ICICI Bank, and Mr. Anindya Banerjee, Group Chief Financial Officer, ICICI Bank. Mr. Batra will now give you an overview of the results, which will be followed by a Q&A session. Thank you, and over to you, sir.

Sandeep Batra:

Thank you and good evening everyone. Joining me today for this call is our Group Chief Financial Officer Anindya Banerjee. Thank you all for joining us on a Saturday afternoon.

The Indian economy continues to be resilient amidst signs of slowdown in the global economy. The underlying indicators reflect continuing growth in economic activity, with expansion in manufacturing and services PMI, higher tax collection, real estate buoyancy and resilient urban demand. The Government led capex cycle is continuing. Though, there has been a pause in the monetary tightening cycle in India, the global and domestic inflation, liquidity and rate environment continues to evolve.

Our strategic focus continues to be on growing our core operating profit less provisions i.e. profit before tax excluding treasury gains through the 360-degree customer centric approach and by serving opportunities across ecosystems and micro markets. We continue to operate within our strategic framework and strengthen our franchise, enhance our delivery and servicing capabilities and expand our technology and digital offerings.

Our Board has today approved the financial results of ICICI Bank for the quarter ended June 30, 2023. I would like to highlight some key numbers:

A. Profit and capital

1. Core operating profit less provisions, that is, profit before tax excluding treasury gains, grew by 38.0% year-on-year to ₹ 12,595 crore in Q1-2024
2. Core operating profit grew by 35.2% year-on-year to ₹ 13,887 crore in Q1-2024; excluding dividend income from subsidiaries/associates, core operating profit grew by 37.0% year-on-year in Q1-2024
3. Net interest income increased by 38.0% year-on-year to ₹ 18,227 crore in Q1-2024
4. The net interest margin was 4.78% in Q1-2024 compared to 4.90% in Q4-2023 and 4.01% in Q1-2023
5. Fee income grew by 14.1% year-on-year to ₹ 4,843 crore in Q1-2024
6. The profit after tax grew by 39.7% year-on-year to ₹ 9,648 crore in Q1-2024
7. The consolidated profit after tax grew by 44.0% year-on-year to ₹ 10,636 crore in Q1-2024
8. The standalone RoE was 18.9% in Q1-2024

9. At June 30, 2023, the Bank had a net worth over ₹ 2.1 lakh crore. Including profits for Q1-2024, CET-1 ratio was 16.66%, Tier 1 ratio was 16.76% and total capital adequacy ratio was 17.47%

B. Deposit growth

1. Total period-end deposits increased by 17.9% year-on-year to ₹ 12,38,737 crore at June 30, 2023
2. Period-end term deposits increased by 25.8% year-on-year to ₹ 7,02,511 crore at June 30, 2023. Period-end term deposits increased by ₹ 62,932 crore in Q1-2024
3. Average current account deposits increased by 9.2% year-on-year
4. Average savings account deposits increased by 5.6% year-on-year
5. The Bank opened 174 branches during Q1-2024 and 540 branches in the last 12 months and had a network of 6,074 branches and 16,731 ATMs and cash recycling machines at June 30, 2023
6. The Bank added about 6,000 employees in Q1-2024 and about 27,650 employees in the last 12 months and had about 1,35,000 employees at June 30, 2023

C. Loan growth

1. The domestic loan portfolio grew by 20.6% year-on-year and 4.0% sequentially at June 30, 2023
2. The retail loan portfolio grew by 21.9% year-on-year and 4.5% sequentially. Including non-fund outstanding, the retail loan portfolio was 45.9% of the total portfolio. The business banking portfolio grew by 30.4% year-on-year and 3.8% sequentially. The SME business, comprising borrowers with a turnover of less than ₹ 250 crore, grew by 28.5% year-on-year and 5.0% sequentially. The rural portfolio grew by 17.6% year-on-year and 3.6% sequentially. Growth in the domestic corporate portfolio was 19.3% year-on-year and 2.8% sequentially at June 30, 2023
3. 72.2% of the total loan portfolio, excluding, retail and rural, was rated A- and above at June 30, 2023

D. Digital initiatives

1. Leveraging digital and technology across businesses is a key element of our strategy of growing the risk-calibrated core operating profit. We continue to see increasing adoption and usage of our digital platforms by our customers
2. There have been more than one crore activations of iMobile Pay by non-ICICI Bank account holders at end-June 2023. There have been about 2,30,000 registrations by non-ICICI Bank account holders on InstaBIZ till June 30, 2023. The Merchant STACK offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions, connected banking services and digital store management, among others.
3. The value of the Bank's merchant acquiring transactions through UPI grew by 12% sequentially and 88% year-on-year in Q1-2024. The Bank had a market share of 30% by value in electronic toll collections through FASTag in Q1-2024, with a 16% year-on-year growth in collections
4. The Bank has created more than 20 industry specific STACKs, which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. The Bank's Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. The Banks' digital solutions integrate the export transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. The latest digital solutions includes Insta EPC for instant disbursal of export finance, eDocs solution for regulatory compliance, vessel tracking for real-time status update on shipment and document tracking for movement of export documents. About 70% of trade transactions were done digitally in Q1-2024. The value of transactions done through Trade Online and Trade Emerge platforms in Q1-2024 has shown year-on-year growth of 1.4 times the value in Q1-2023.

E. Asset Quality

1. The net NPA ratio was 0.48% at June 30, 2023, compared to 0.48% at March 31, 2023 and 0.70% at June 30, 2022
2. During Q1-2024, there were net additions to gross NPAs of ₹ 1,807 crore

3. The gross NPA additions were ₹ 5,318 crore in Q1-2024. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 3,511 crore in Q1-2024
4. The gross NPAs written off were ₹ 1,169 crore in Q1-2024
5. There was no sale of NPAs for cash in the current quarter
6. The provisioning coverage ratio on NPAs was 82.4% at June 30, 2023
7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹ 3,946 crore or 0.4% of total advances at June 30, 2023 from ₹ 4,508 crore at March 31, 2023. The Bank holds provisions amounting to ₹ 1,224 crore against these borrowers under resolution, as of June 30, 2023
8. The loan and non-fund based outstanding to performing borrowers rated BB and below reduced to ₹ 4,276 crore at June 30, 2023 from ₹ 4,704 crore at March 31, 2023.
9. The total provisions during the quarter were ₹ 12.92 billion, or 9.3% of core operating profit and 0.49% of average advances. The Bank continues to hold contingency provisions of ₹ 13,100 crore at June 30, 2023.

Going forward, we will continue to operate within our strategic framework while focusing on micro markets and ecosystems. The principles of "Return of Capital", "Fair to Customer, Fair to Bank" and "One Bank, One Team, One RoE" will guide our operations. We focus on building a culture where every employee in the Bank serves customers with humility and upholds the values of brand ICICI. We aim to be the trusted financial services provider of choice for our customers and deliver sustainable returns to our shareholders.

With this, I conclude my remarks and I would be happy to take any questions from you.

Moderator:

Thank you very much sir. We will now begin the Q&A session with Mr. Batra and Mr. Banerjee. Anyone who wishes to ask a question may press star and '1' on the telephone. If you wish to remove yourself from the question queue, you may press star and '2'. Today's announcement is on the bank's financial performance. Hence, we would like to request you to ask questions related to that. Please write to the corporate communications team separately for any other queries. Due to time constraints, I request all of you to ask two questions at a time. If you have additional queries, you may join the queue again. Thank you. We have a first question from the line of Vishwanath Nair from BQ Prime. Please go ahead.

Vishwanath Nair:

Mr. Batra. Good evening. The first question I have is with regards to the asset quality position. Your gross additions have gone up by about 24%. Similarly, the recovery and upgrades are down about 17%. I just wanted to get a sense as to what has happened during the quarter. Do you see any specific segment push up on the gross NPA side?

Sandeep Batra:

If you see the two reasons, why this has gone up is because in the earlier period we had advantages of recoveries in the corporate side, which is no longer there. It is more a normalised provision. The other aspect is, this is a little bit seasonal, given the fact that in the Kisan Credit Card book on the rural lending, there is normally a bit of increase in NPAs and provisions during the quarter, which should normalise as we go along. But, if you see our overall provisions as a percentage of core operating profit, they are well under 10%. We are comfortable with the numbers that have been given. The last quarter was more of an exceptional quarter.

Vishwanath Nair:

Understood. The other question I had sir, was, a lot of banks seem to be reporting significantly higher attrition in FY'23. I just want to know if ICICI Bank has seen any kind of increase in attrition at the lower end of the employee base?

Sandeep Batra:

We will be releasing the BRSR report as part of our annual report, and you can see those numbers at that point of time. I do not think I would like to comment on any number, which is not yet public. You will have these numbers in a couple of weeks.

Vishwanath Nair:

Okay, thank you.

Moderator:

Thank you. We have our next question from the line of Joel Rebello from Economic Times. Please go ahead.

Joel Rebello:

Sir, just wanted to understand what is your CASA ratio this quarter? How has it been year-on-year and versus March, and outlook, if you can give us?

Sandeep Batra:

No, outlook side- we look at the overall money in bank, we do not really look at CASA in the quarter. In fact, as I did explain that we probably had one of the best quarters of term deposit increase. Our average CASA ratio for this quarter has been about 42.6%. It is broadly in line with what was there in March. March was about 43.6%. If you see the total deposit growth, the year has about 17.9% growth. As I did mention as part of my call, CASA has grown year-on-year by about 9%.

Joel Rebello:

Okay. So out of the deposit growth, is it fair to say that most of it or mostly it comes to term deposits? Because it is down quarter-on-quarter, right?

Sandeep Batra:

You are right. Term deposits do increase by 25.8%. Joel, what happens is when term deposit rates increase, over the last six months to nine months significantly, people move to term deposits a lot more. So from our point of view, we look at the overall liability, we look at the overall cost of deposits. So rather than focusing on individual, whether CASA or term deposits, for us it is total money in the Bank. From an overall basis, we look at 17.9%, which is the term deposit rate increase. Correspondingly, which we are quite comfortable with, so, we really do not target a CASA percentage per se. That is all that I wanted to tell you. We look at the overall NIM, fees, expenses, provisions, all the levers that can drive a P&L.

Joel Rebello:

Yes, but it is always helpful, if you have lower cost of deposits. But, coming to NIM, sir, there has been an improvement year-on-year, but it's really come down quarter-on-quarter. It is still healthy, above 4.5%. So, there is a sense on the NIMS of what kept it healthy. Have you all been able to pass on the cost, the higher cost to borrowers?

Sandeep Batra:

The net interest income actually increased by about 38% as I mentioned earlier.

Joel Rebello:

NIM, net interest margin?

Sandeep Batra:

I am coming to that. About ₹ 182 billion. The NIM for this quarter was 4.78% as compared to 4.9% in the previous quarter and 4.01% in Q1 of last year. We have been saying that, the retail deposits rate of increase has been slower than what has been the rate of lending. So, Q1 2024, sequential decline actually reflects the lagged impact of re-pricing of deposits, which has been partly offset by increase in loans and investment yields. We do expect the re-pricing of deposits to continue over the next couple of quarters. Secondly, as we have been guiding even in the previous call, so overall decline in NIM was very much in line with our expectations and even going forward, we do expect some moderation in NIM to continue primarily because of increasing deposits.

Joel Rebello:

Any range, you can give me, sir?

Sandeep Batra:

No, we do not give a range but broadly if I look at, it would be good to look at the full year FY’24 in the context of what we did in FY’23. So, there was a big difference, if you see last year, we started with a NIM of about 4.01% and ended the year with about 4.9%. So, we do expect the full year NIM for this year to be broadly at a similar level that was there in FY’23.

Joel Rebello:

Okay. Thank you so much. All the very best for the rest of the year.

Sandeep Batra:

Thank you, Joel.

Moderator:

Thank you. We have our next question from the line of Jinit Parmar from Moneycontrol. Please go ahead.

Jinit Parmar:

Hi, good evening. Sir, if you could just highlight as to where do you stand on the home loan portfolio for this quarter and how do you see it going on?

Sandeep Batra:

This quarter, we grew the portfolio by about 16.6%. So, total mortgages outstanding as of June 30, was about ₹ 3.5 lakh crore, ₹ 3.556 lakh crore to be more precise and that's growing at a pretty healthy rate. We do not particularly look at one component of the portfolio. As long as we largely look at the customer and then try to meet the needs of a customer. It could well be mortgages, vehicle, personal loans, credit cards or whatever else that the customer might need. If you see, our total overall retail loan book has grown by about 21.9% during the quarter.

Jinit Parmar:

Noted. One more question on write-offs for this quarter. So you had write-offs of around ₹ 1,169 crore. So what was about that? If you could just highlight that.

Sandeep Batra:

That is normal. There is nothing out of the ordinary on that. There is nothing specific to call out on and, that is in line with our policies. Even if you see, last quarter also was a very similar number. It was ₹ 1,158 crore. This time, its ₹ 1,169 crore. So, that is okay. Even last year, for the full year, we wrote off about ₹ 4,400 crore. That has been broadly the trend. Of course, nothing specific to call out here again.

Jinit Parmar:

Okay, no worries. Thanks, thanks a lot.

Moderator:

Thank you. We have our next question from the line of Ritu Singh from CNBC TV18. Please go ahead.

Ritu Singh:

Hi, Mr. Batra. Just to follow up on the margins, while it is perhaps one of the higher margins we have seen in the industry, the compression, like you said, was because of deposit re-pricing. How long do you expect that to continue having some pressure on the margins? When do you expect that to normalise? When you say, NIM levels will be broadly in line with what you saw in FY'23, are you hinting towards a 4.9% kind of a level for the full year?

Sandeep Batra:

As I mentioned, the average for the last year was about 4.5%. It started with about 4% in the first quarter of last year, ended with about 4.9%. So this quarter, we are at about 4.78%. And as this has been re-pricing, we do some amount of NIM compression to continue. As I did mention, the NIM decline has been in line with our expectations. So maybe in other quarters or so, we can expect some moderation in NIM. But, over a period of time, NIM will be largely a function of a loan portfolio, funding profile, asset quality, and everything else. From our perspective, NIM is just one of the levers, which drives our core operating profit. There are other levers as well. We will focus on all the levers from our perspective and not necessarily optimise one.

Anindya Banerjee:

Maybe, I could just add to that, if I may. I think as Sandeep mentioned, we were operating at about a 4% plus level of NIM. What has happened last year is that there was a very sharp rise in the repo rate during the year and a reasonable portion of the portfolio, primarily home loans, etcetera, linked to the repo rate, whereas the movement in the cost of deposits, which are fixed rate and longer, little longer duration happens over a period of time. We saw one-off expansion last year and we will see that normalise this year. So, I don't think that, the current levels of NIM are really what we would want to have to operate in a base case. And as Sandeep mentioned we are focused on the overall risk-adjusted profitability in which NIM is just one element, net interest income is just one element, along with growth itself, credit costs, fees and operating expenses.

Ritu Singh:

Okay, the second question was on your loan growth. It seems fairly strong in the quarter, but I just wanted to understand, and you reiterate over the past several quarters in years that you will lend to sectors, which are within your strategic framework of risk. But, are there certain segments, where you are seeing a better momentum for credit demand, for loan demand? And, given the recent large merger that's taken place in the banking system and the gap between you and the second largest player has widened significantly. I just wanted to understand, the strategy on sort of growing your portfolio, growing your loan book structure?

Sandeep Batra:

Ritu, you have answered the question yourself. Our strategy remains pretty much the same. During the quarter, our total retail book grew by 21.9%, rural grew by about 17.6%, business banking grew as I mentioned about little over 30%, the SME segment grew by about 28.5% and the domestic corporate book grew by about 19.3%. The domestic book grew by 21.8%. We really don't look at too much of segments. Wherever the opportunities do come in, we are happy to lend, and we have been lending across the corporate sector, wherever we have found they fit into our overall framework. In addition to that, we are also looking at, from a good corporate point of view, their employees' ecosystem, their dealers' ecosystem, their vendors' ecosystem, and try to offer the entire suite of financial products. And as you are aware, recently the government is looking at incentivising corporate capex through PLI and we keep on looking at those opportunities and wherever they meet our risk framework, we are happy to lend in that space.

Ritu Singh:

No commentary really on the impact of the merger, of the gap between the two banks, widening in your plans to sort of buildup on?

Sandeep Batra:

I will focus on what we are doing. We are doing reasonably well, in terms of how we are performing. And, that is the area that we will continue to focus on. There are enough and more opportunities for us to grow using all the data that we have at our end. We will continue to decongest processes, invest in technology and keep on growing in a risk-calibrated manner.

Ritu Singh:

Thank you.

Sandeep Batra:

Thank you, Ritu.

Moderator:

Thank you. We have our next question from the line of Hitesh Vyas from Indian Express. Please go ahead.

Hitesh Vyas:

Hi, sir. Good evening sir, I just wanted to know, have you made an assessment on the impact of ECL, Expected Credit Loss?

Sandeep Batra:

Yes, we have done that and that is an internal assessment and, we would be happy to move to ECL framework, whenever the final guidelines do come into place. We are awaiting the final guidelines. Internally, we are ready in terms of moving to an ECL framework whenever the final guidelines do come in.

Hitesh Vyas:

Has there been any provision made related to ECL in Q1, sir?

Sandeep Batra:

We do not have to make provisions. Even the provisions right now is as per RBI guidelines, which are applicable at this point of time. We would be happy to move to an ECL framework, which is probably more in line with what international, IFRS standards are. But we are awaiting RBI final guidelines in the matter. Internally, we have made an assessment and we are very comfortable to move to an ECL framework of provision. Once the ECL framework of provision comes into place, then this existing form of provisioning will go away.

Hitesh Vyas:

Right. Thank you.

Moderator:

Thank you. We have our next question from the line of Mayur Shetty from Times of India. Please go ahead.

Mayur Shetty:

Hello. Congratulations. I think this is again a new record on the net profit. Could you tell us something about the kind of attrition you are seeing in the bank?

Sandeep Batra:

Mayur, as I did mention, the attrition numbers will come out as part of a BRSR report in the annual report. I think it is going to be out in a couple of weeks. I will just request you to hold on to that question till we make that data public.

Mayur Shetty:

Could you elaborate on contingency provision that you are holding, what do you intend to do with it?

Sandeep Batra:

As I did mention, we continue to hold a contingency provision of about ₹131 billion, which is about 1.2% of our total advances. That contingency provision was made on a prudent basis. We make an assessment at the end of every quarter, whether we need to make or release anything. At this point of time, we just want to hold on to the provision that has been made, and we have not made any incremental contingency provisions during this quarter.

Mayur Shetty:

Thank you.

Sandeep Batra:

Thank you, Mayur.

Moderator:

Thank you. We have a next question from the line of Hamsini Karthik from Hindu Business Line.

Hamsini Karthik:

Your NIMs are very comforting, but I would like to understand just one or two things from this. Last fiscal, the Bank saw one of the steepest growth in the unsecured products. With the NIMs coming down and also a re-pricing of deposits that have happened, does this also mean that the bank is going to take a little more calibrated or rather a little more careful approach on growing an unsecured book?

Sandeep Batra:

Hamsini, we have been growing our unsecured book in a calibrated fashion. Unsecured book, as you are aware, comprises of personal loans and credit card and it is about 12% of our overall total loan. The core principles on which we have built the unsecured book has been around return of capital, a very efficient digital delivery system and ecosystems, where we are able to offer products in a total customer centric fashion. If you see the book, about 85% comprises of salaried individuals and most of these employees are with large business, corporate MNCs, government entities, PSU, defence, who have a very stable income. We are very comfortable with the quality of the book that we have built and we have assessed it based on our external bureau scores and internal markers. If you look at the overall financial numbers also, the strategy seems to be bearing out. The strategy of ours has been pretty simple and I will probably reiterate it. We do not have any specific growth targets and we would like to focus on meeting our customer needs, whoever needs our profile and we will continue to focus on that.

Hamsini Karthik:

How much would be proportion of cross-sell in your unsecured book? That is to your existing customers versus new customers.

Sandeep Batra:

A significant portion will be, it is almost about 60% of unsecured book is to customers, who have had some kind of a relationship with the bank.

Hamsini Karthik:

Perfect. One question relating to the current management. We have not had a person specifically taking charge of your corporate book for a while, Mr. Jha, if I am not wrong handles corporate and retail. Would the Bank appoint somebody exclusive for corporate anytime soon or is that going to be under Mr. Jha's purview for the reasonable future?

Sandeep Batra:

There is no plan to change the current structure. The board at various points of time evaluates structures. At this point of time, we have two EDs, one looking after the business and myself looking after the corporate centre and we intend to continue with the existing structure. We believe the current structure is efficient to deliver the C-360^0 strategy that we have articulated. The customer does not look at corporate or retail. I think, corporate and retail are our creations while internally we have different strategies. It is important that the teams work in synergies and together. It helps to keep it under one individual.

Hamsini Karthik:

Okay. This is a change in philosophy. Last question, sir with respect to your capital adequacy there has been a reasonable amount of burn as well on the capex at around 16%. Would that still trigger a cause for raising capital or there is more leeway to do that?

Sandeep Batra:

Not at all.

Anindya Banerjee:

If you look at the sequential movement in the capital adequacy during the quarter, we redeemed additional Tier 1 bonds of about ₹ 4,000 crore. What happens in the first quarter is that the risk weighted assets for operational risk increase because those are based on an average of the previous three years' gross income. The first quarter is when you, kind of, roll it forward. That would have had some impact, but including the profits for the quarter as Sandeep mentioned, we are at a CET1 of 16.66%, which is pretty high and well above what is required.

Hamsini Karthik:

Sure. We have been used to seeing 18 for a while now.

Moderator:

I am afraid that we will not be able to take more than two questions at a time. Please rejoin the queue if you have further queries. Thank you. We have our next question from the line of Ram Kumar from HBL. Please go ahead.

Ram Kumar:

Hello. Sir, I would like to know how has your overseas loan growth been, and what is the outlook for it?

Sandeep Batra:

I think the overseas loan book has been de-growing and right now the amount of outstanding overseas loan book is about ₹ 32,000 crore and it has de-grown by about 29.5%. It is again in line with our overall strategy given the focus on India-centric books. Our international strategy, if you recall, we had recalibrated into, a couple of years back where we were essentially focusing on either NRIs or MNCs doing business in India and looking at trade, most of the strategies did not involve an overseas loan growth. If there are Indian corporates in those international geographies, we are happy to support them. While overall we are happy with the progress what we are making in our international branches. It may not necessarily reflect or require the overseas loan book to grow.

Ram Kumar:

In some of the geographies, you have been coming out of it, closing down operations, actually. Have you identified any other geographies, where you want to go slow or close down operations or start new operations somewhere else actually?

Sandeep Batra:

I think no developments during the quarter, Ram. The last branch that we closed were, in Sri Lanka and South Africa that has been sometimes back. Since then, we have made an assessment of our existing branch networks and we are happy where we are.

Ram Kumar:

Thank you.

Moderator:

Thank you. We have our next question from the line of Shayan Ghosh from Mint. Please go ahead.

Shayan Ghosh:

Hi sir. On CASA and the rising deposit rate that you talked about, I wanted to check if you have seen customers move funds from their savings to term deposits, you said that term deposits increase during rising interest rates but, have you seen your existing customers move between these two?

Sandeep Batra:

This is quite natural. If you see earlier the delta between a savings rate and a deposit rate was very small, as interest rates have moved up, the delta has increased. The customers naturally has a tendency to move things into term deposits, which has been happening for some time. I think that is the reason you will see that the term deposits of ours grew by about 25% when the CASA grew by just about 9% that is the year-on-year growth numbers. I think that is quite natural to happen, Shayan.

Shayan Ghosh:

Okay, and the question is one of your closest competitors has laid out a strategy saying that branches will be at the centre of deposit growth. At ICICI, is that also how you plan to grow your deposit rates?

Sandeep Batra:

From our perspective, deposits have been growing. We actually follow a bottoms-up approach and we do provide a fair bit of flexibility to our operating team to decide. Based on this, if you see we did increase about 174 branches during the quarter. We have added about 540 branches overall since the last 12 months and there are about 6,000 branches. We will continue to expand our branch network based on our overall growth strategy, assessment, what is happening on the micro markets, and including the fact that we have a pretty strong digital profit making. We will be guided by what we are seeing on the ground internally and not necessarily get influenced by competitors' approach.

Shayan Ghosh:

Okay. So, are you seeing increasing competition for deposits in the market right now?

Sandeep Batra:

If you see the overall numbers, they have been growing at a pretty healthy space. We are very comfortable with the deposit growth. As you have seen from our numbers, this quarter has been one of the very good quarter for us from our deposit franchise. As I did talk about, our retail deposits grew by over 25%. We are very happy with the retail deposit progress. Our term deposits grew by over 25% during the quarter.

Shayan Ghosh:

Okay, Thank you sir.

Moderator:

Thank you. We have our next question from the line of Piyush Shukla from Financial Express. Please go ahead.

Piyush Shukla:

I had a query on branches. HDFC is planning for 1,500 branches, 2,000 branches in FY'24. If there is any sort of guidance, you could give on how many branches you will be opening this year. Secondly, my other query was on the corporate book that you said you are getting a nice demand and everything. At other banks, smaller and mid-sized ones, they have not been able to grow their corporate book saying there are a lot of mispricing that is going on. So, in terms of corporate credit, how do you see the demand at your bank?

Sandeep Batra:

We added about 174 branches during this quarter and we will continue to. As I did mention, the branch expansion is a bottoms-up strategy and whenever there is a need for expanding, based on our need for wherever we see opportunities, we will grow and it can be reasonable to expect that we will continue to grow our branches, but the strategy is driven based on our own internal assessment. On the corporate portfolio, as I did mention, the domestic corporate grew by about 19.3% year-on-year. The capex, if you see the overly cycle has largely been funded by government and PSUs. On the private sector side, we have just seen some lighter capex happening in the infrastructure and industrial side. But, we will have to wait and watch, how this shapes up going forward. From our perspective, as you are aware, most corporates in India have a very strong balance sheet and they are able to do a significant incremental brownfield investment based on just internal accruals without having the need to access banks. From our perspective, we are happy to lend to customers who fit within our overall framework. When we approach a corporate customer, it is not necessarily about a corporate loan book alone. It is about offering the entire ecosystem, which I did mention included their dealers, vendors, export finances, and employees. We look at the whole thing holistically. The numbers that you see as part of corporate retail SME is more a result of a strategy, than a strategy itself.

Piyush Shukla:

Could you tell us the gross figure of deals in pipeline corporate loans?

Sandeep Batra:

We do not give that Piyush, neither we look at it that way.

Piyush Shukla:

Okay, no problem. Thank you.

Moderator:

Thank you. We have our next question from the line of Aparna Iyer from Moneycontrol. Please go ahead.

Aparna Iyer:

Sir, I have just one question on the corporate loan side. Your corporate book growth is quite robust. At the same time, there are a lot of bankers that tell us that there is mispricing, there is intense competition, there is also the spread between how AAA rated loan is priced and even an AA rated corporate is priced is quite narrow. Can you give us your experience how it has been?

Sandeep Batra:

That will always be there, Aparna. Competition will always be intensive and every bank has to make an assessment how the overall relationships or overall ROE comes from an overall relationships. I do not think so there is anything specific to call out in this space. But it's fair to assume that when we look at a relationship, we will look at pricing as an important part. When we say things have to be 'Fair to the customer and fair to the Bank', if things are not really in the interest of our shareholders, we may not be doing the deal. But when we look at the transactions, we really don't look at the individual transactions, we look at the overall relationships which is on the table and we will try to take a more longer term view when we are getting into a relationship. From our perspective, it is the quality of the credit, which is of absolute paramount importance and that drives most of our decision-making.

Aparna Iyer:

Right, but has there been any instances where you had decided to back out because probably the pricing that was on the table did not...

Anindya Banerjee:

See Aparna, there would have been many such instances. If you look at, till middle of last year, when we were not growing our corporate book as much, but some of our peers were growing their corporate books quite rapidly, at a pretty fast pace. Again, we would have had views on the pricing at that time. Over the last year, I think as we have said in the past, as liquidity environment has tightened and so on, probably the corporate loan pricing environment if at all has improved somewhat. We will just keep taking it as it comes. As Sandeep mentioned, return of capital is the starting point. Secondly, on the overall relationship and broadly on granularity, that is within those considerations whatever fits we would do. I think the good thing is that given our franchise we get to see all opportunities and we are therefore able to kind of grow at a reasonable pace.

Aparna Iyer:

Okay, sir, could you give us the proportion of loan book that is linked to EBLR?

Sandeep Batra:

Yes, we do.

Anindya Banerjee:

About 50% is linked to external benchmark repo.

Sandeep Batra:

There is another odd 30%, which is fixed, and about 20% is linked to MCLR.

Anindya Banerjee:

30% is fixed rate, 20% is linked to MCLR and about 50% is linked to repo and other external benchmarks, primarily repo.

Aparna Iyer:

Okay. Alright. Thank you sir.

Moderator:

Thank you Aparna. We have our next question from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe:

Thank you so much. Sir, I just wanted to know about the home loan growth at 16%. Generally, we have seen home loans leading the overall retail growth, in fact, being higher than the overall retail growth and as well as the headline loan growth percentage which the bank reports. So, what is causing a slight blip here? Is it the higher rates probably which segments are the ones, which are affected? Secondly, there have been some reports about dip in inquiries as well, as being reported by credit bureaus. So what has been your experience?

Sandeep Batra:

Ashish, as we talked about the numbers, our mortgaged grew by about 16.6% while the overall retail loan has grown at about close to 22%. From our perspective, as I have been saying we are looking at a customer. We are not necessarily looking at mortgage vehicle, and personal loan. Customer has a good bureau score, meets our risk profile standards, we are happy to lend in that segment. As customers evolve and as they have multiple needs, including having a credit card or a personal loan or in a vehicle loan. There is an increase happening all around. I do not think we would like to bucket it between mortgages and others. As India is growing, so is our retail franchise. For us it is important to be cognisant of the credit quality that is coming in, it can come from virtually any segment of the retail book, and we are happy to grow whatever meets our risk thresholds.

Ashish Agashe:

How has the policy of the unsecured books in the last three months, sir? As there been any sort of bump up?

Sandeep Batra:

No, we have not modified our policies. We have had only stringent.. Sorry, you said quality?

Ashish Agashe:

Asset quality was unsecured?

Sandeep Batra:

Our personal loan has grown by about 38% and credit card by about 45% and we are comfortable with the quality that we have built in. As I did mentioned 60% of these customers are known to the bank and a very large portion of that customer base is a salary class customer who has a stable income. We are comfortable with the quality of the unsecured books that we have built.

Ashish Agashe:

Okay. Thank you so much.

Moderator:

Thank you. We will now be taking the last two questions. We have our next question from the line of Brajesh Mishra from Zee Business. Please go ahead. Since there is no response, we will move on to the next question from the line of Preeti Singh from Bloomberg. Please go ahead.

Preeti Singh:

Hi sir. The deposit rate has been really, good this quarter. I wanted to check how much did the banks get in terms of the ₹ 2,000 notes withdrawals?

Sandeep Batra:

We did get a fair share of it, which is in line.

Anindya Banerjee:

Given the numbers, but that has not had a very big impact, I would say, on the overall accretion for the quarter that it would have had some impact.

Preeti Singh:

Okay, thank you. That's all from me.

Moderator:

Thank you. We have our next question from the line of Manojit Saha from Business Standard. Please go ahead.

Manojit Saha:

What is the share proportion of retail and corporate in the total loan book as on June 30 and some comparison with March and same period last year?

Sandeep Batra:

We will just send this number to you offline. Out of our total ₹ 10.5 lakh crore, retail is about ₹ 5.8 lakh crore and rural is about ₹ 90,000 crore, business banking ₹ 74,000, SME ₹ 50,000 and the domestic corporate book is ₹ 2,41,000. Retail is about 54% of the overall advances.

Manojit Saha:

What is the impact on CET1 because of the ECL norms?

Sandeep Batra:

ECL norms have not yet come into play, whenever they will come into play, we would see it. As I had explained, it is a substitution of the existing provisioning policy with ECL and we would be happy to move to an ECL framework whenever RBI gives out the date. We don't think it will have a material impact on capital adequacy.

Manojit Saha:

Okay. And what is the fee income because of the RBI guidelines you said that we cannot have exclusive tie ups this card network, because ICICI Bank has with Amazon Visa that kind of tie-up. So, is there an impact on fee income because of this?

Sandeep Batra:

Sorry, I didn't understand the question.

Sujit Ganguli:

That is on card network, that is not on a card type.

Manojit Saha:

But you earn a fee from Visa and all because of exclusivity?

Sujit Ganguli:

Manojit this is not related to results. We will offline answer this. It is about the credit card business. It is not about this quarter. We will come back to you on Monday, Tuesday.

Moderator:

Thank you. This brings the conference call to an end. On behalf of ICICI Bank, we thank you all for joining us. You may now disconnect your lines. Thank you again.

Analyst call on July 22, 2023: opening remarks

Ladies and gentlemen, good day, and welcome to ICICI Bank Limited Q1 FY 2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Bakhshi, Managing Director and CEO of ICICI Bank. Thank you, and over to you, Mr. Bakhshi.

Mr. Bakhshi's opening remarks

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q1 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Anindya and Abhinek.

The Indian economy continues to be resilient amidst signs of slowdown in the global economy. The underlying indicators reflect continuing growth in economic activity, with expansion in manufacturing and services PMI, higher tax collections, real estate buoyancy and resilient urban demand. The Government led capex cycle is continuing. Though there has been a pause in the monetary tightening cycle in India, the global and domestic inflation, liquidity and rate environment continues to evolve.

At ICICI Bank, our strategic focus continues to be on growing our core operating profit less provisions, i.e., profit before tax excluding treasury gains through the 360-degree customer centric approach and by serving opportunities across ecosystems and micro markets. We continue to operate within our strategic framework and strengthen our franchise, enhance our delivery and servicing capabilities and expand our technology and digital offerings.

The core operating profit less provisions grew by 38.0% year-on-year to 125.95 billion Rupees in this quarter. The core operating profit increased by 35.2% year-on-year to 138.87 billion Rupees in this quarter. The profit after tax grew by 39.7% year-on-year to 96.48 billion Rupees in this quarter.

Total deposits grew by 17.9% year-on-year and 4.9% sequentially at June 30, 2023. Term deposits increased by 25.8% year-on-year and 9.8% sequentially at June 30, 2023. During the quarter, the average current and savings account deposits grew by 6.6% year-on-year and 2.6% sequentially. The Bank's liquidity coverage ratio for the quarter was about 124%.

The domestic loan portfolio grew by 20.6% year-on-year and 4.0% sequentially at June 30, 2023. The retail loan portfolio grew by 21.9% year-on-year and 4.5% sequentially. Including non-fund based outstanding, the retail portfolio was 45.9% of the total portfolio. The business banking portfolio grew by 30.4% year-on-year and 3.8% sequentially. The SME portfolio grew by 28.5% year-on-year and 5.0% sequentially. The rural portfolio grew by 17.6% year-on-year and 3.6% sequentially. The domestic corporate portfolio grew by 19.3% year-on-year and 2.8% sequentially driven by growth across well-rated financial and non-financial corporates. The overall loan portfolio including the international branches portfolio grew by 18.1% year-on-year and 3.7% sequentially at June 30, 2023.

We continue to enhance our digital offerings and platforms to onboard new customers in a seamless manner, provide them end-to-end digital journeys and personalized solutions, and enable more effective data driven cross sell and up sell. We have shared some details on our technology and digital offerings in slides 15 to 26 of the investor presentation.

The net NPA ratio was 0.48% at June 30, 2023, compared to 0.48% at March 31, 2023 and 0.70% at June 30, 2022. During the quarter, there were net additions of 18.07 billion Rupees to gross NPAs, excluding write-offs and sale, reflecting mainly the seasonal higher additions in the kisan credit card portfolio and lower recoveries and upgrades from the corporate portfolio compared to the last couple of quarters. The total provisions during the quarter were 12.92 billion Rupees or 9.3% of core operating profit and 0.49% of average advances. The provisioning coverage ratio on NPAs was 82.4% at June 30, 2023. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.2% of total loans as of June 30, 2023.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.66%, Tier 1 ratio of 16.76% and total capital adequacy ratio of 17.47% at June 30, 2023, including profits for Q1 of 2024.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360, extensive franchise and collaboration within the organisation, backed by our digital offerings and process improvement and service delivery initiatives will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. We will remain focused on maintaining a strong balance sheet with prudent provisioning and healthy levels of capital. The principles of “Return of Capital”, “Fair to Customer, Fair to Bank” and “One Bank, One Team, One RoE” will continue to guide our operations. We remain focused on delivering consistent and predictable returns to our shareholders.

I now hand the call over to Anindya.

Anindya’s opening remarks

Thank you, Sandeep. I will talk about loan growth, credit quality, P&L details, growth in digital offerings, portfolio trends and performance of subsidiaries.

A. Loan growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 16.6% year-on-year and 3.2% sequentially. Auto loans grew by 23.7% year-on-year and 5.6% sequentially. The commercial vehicles and equipment portfolio grew by 8.1% year-on-year and 2.4% sequentially. Growth in the personal loan and credit card portfolio was 40.6% year-on-year and 7.6% sequentially. This portfolio was 1,355.15 billion Rupees or 12.8% of the overall loan book at June 30, 2023.

The overseas loan portfolio, in US dollar terms, declined by 32.1% year-on-year and 5.2% sequentially at June 30, 2023. The overseas loan portfolio was about 3.1% of the overall loan book at June 30, 2023. The non-India linked corporate portfolio declined by 39.7% or about 182 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 90% comprises Indian corporates, 6% is overseas corporates with Indian linkage, 2% comprises companies owned by NRIs or PIOs and balance 2% is non-India corporates.

B. Credit quality

There were net additions of 18.07 billion Rupees to gross NPAs in the current quarter compared to 0.14 billion Rupees in the previous quarter. The net additions to gross NPAs were 19.32 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 1.25 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 53.18 billion Rupees in the current quarter compared to 42.97 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 35.11 billion Rupees in the current quarter compared to 42.83 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 50.72 billion Rupees compared to 40.20 billion Rupees in the previous quarter. There were gross NPA additions of about 6.66 billion Rupees from the kisan credit card portfolio in the current quarter. We typically see higher NPA additions from the kisan credit card portfolio in the first and third quarter of a fiscal year. Recoveries and upgrades from the retail, rural and business banking portfolio were 31.40 billion Rupees compared to 31.47 billion Rupees in the previous quarter.

The gross NPA additions from the corporate and SME portfolio were 2.46 billion Rupees compared to 2.77 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 3.71 billion Rupees compared to 11.36 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 11.69 billion Rupees. There was no sale of NPAs in the current quarter compared to sale of 2.01 billion Rupees for cash in the previous quarter.

The non-fund based outstanding to borrowers classified as non-performing was 37.04 billion Rupees as of June 30, 2023 compared to 37.80 billion Rupees as of March 31, 2023. The Bank holds provisions amounting to 19.64 billion Rupees against this non-fund based outstanding.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 39.46 billion Rupees or about 0.4% of the total loan portfolio at June 30, 2023 from 45.08 billion Rupees as of March 31, 2023. Of the total fund based outstanding under resolution at June 30, 2023, 34.06 billion Rupees was from the retail, rural and business banking portfolio and 5.40 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 12.24 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 38.0% year-on-year to 182.27 billion Rupees. The net interest margin was 4.78% in this quarter compared to 4.90% in the previous quarter and 4.01% in Q1 of last year. The sequential movement in NIM reflects the lagged impact of increase in deposit rates over the last year on cost of deposits, offset, in part, by an increase in loan and investment yields. Of the total domestic loans, interest rates on 46% are linked to the repo rate, 3% to other external benchmarks and 20% to MCLR and other older benchmarks. The balance 31% of loans have fixed interest rates. The impact of interest on income tax refund on net interest margin was 3 basis points in Q1 of this year compared to nil in the previous quarter and 3 basis points in Q1 of last year.

The domestic NIM was at 4.88% this quarter compared to 5.02% in the previous quarter and 4.14% in Q1 of last year. The cost of deposits was 4.31% in this quarter compared to 3.98% in the previous quarter, reflecting the increase in deposit rates over the last year, though rates on incremental retail term deposits have largely stabilized and wholesale deposit rates have moderated. We expect the cost of deposits to continue to increase over the next couple of quarters.

Non-interest income, excluding treasury gains, grew by 12.0% year-on-year to 51.83 billion Rupees in Q1 of 2024

- Fee income increased by 14.1% year-on-year to 48.43 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 78% of the total fees in this quarter.

- Dividend income from subsidiaries and associates was 2.91 billion Rupees in this quarter compared to 3.47 billion Rupees in Q1 of last year. The year-on-year decline in dividend income was due to lower final dividend from ICICI Securities Primary Dealership.

On Costs: The Bank's operating expenses increased by 25.9% year-on-year in this quarter. Employee expenses increased by 36.3% year-on-year in this quarter reflecting the annual increments, promotions and increase in number of employees over the last 12 months. The Bank had about 135,000 employees at June 30, 2023. The number of employees has increased by about 27,650 in the last 12 months. Non-employee expenses increased by 19.5% year-on-year in this quarter primarily due to retail business related expenses and technology expenses. Our branch count has increased by 174 in the first quarter and we had 6,074 branches as of June 30, 2023. The technology expenses were about 9.0% of our operating expenses in this quarter.

The core operating profit increased by 35.2% year-on-year to 138.87 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit grew by 37.0% year-on-year.

The total provisions during the quarter were 12.92 billion Rupees, or 9.3% of core operating profit and 0.49% of average advances, including the seasonal impact of kisan credit card NPAs and lower write-back from corporate recoveries and upgrades relative to the last couple of quarters. The provisioning coverage on NPAs was 82.4% as of June 30, 2023. In addition, we hold 12.24 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of June 30, 2023. At the end of June, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 223.46 billion Rupees or 2.1% of loans.

The core operating profit less provisions grew by 38.0% year-on-year to 125.95 billion Rupees in Q1 of this year.

There was a treasury gain of 2.52 billion Rupees in Q1 compared to a gain of 0.36 billion Rupees in Q1 of the previous year, primarily reflecting proprietary trading gains capitalising on market opportunities during the quarter.

The tax expense was 31.99 billion Rupees in this quarter compared to 22.60 billion Rupees in the corresponding quarter last year. The profit after tax grew by 39.7% year-on-year to 96.48 billion Rupees in this quarter.

Sandeep earlier talked about the capital adequacy position with a CET-1 ratio, including profits for Q1 of 2024, of 16.66%, Tier 1 ratio of 16.76% and total capital adequacy ratio of 17.47% at June 30, 2023. These ratios include the impact of increase in risk-weighted assets for operational risk, which is computed in first quarter of every fiscal year. Also during this quarter, there was a redemption of Tier 1 bonds of 40.00 billion Rupees.

D. Growth in digital offerings

Leveraging digital and technology across businesses is a key element of our strategy of growing the risk-calibrated core operating profit. We continue to see increasing adoption and usage of our digital platforms by our customers.

There have been more than 10 million activations of iMobile Pay by non-ICICI Bank account holders at end-June 2023. We have seen about 230,000 registrations by non-ICICI Bank account holders on InstaBIZ till June 30, 2023. Our merchant STACK offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions, connected banking services and digital store management, among others.

We have created more than 20 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. Our Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. Our digital solutions integrate the export transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. The latest digital solutions includes Insta EPC for instant disbursal of export finance, eDocs solution for regulatory compliance, vessel tracking for real-time status update on shipment and document tracking for movement of export documents. About 70% of trade transactions were done digitally in Q1 of this year. The value of transactions done through Trade Online and Trade Emerge platforms in Q1-2024 was 1.4 times the value in Q1-2023.

E. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 32 to 43 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 42.76 billion Rupees at June 30, 2023 compared to 47.04 billion Rupees at March 31, 2023 and 82.09 billion Rupees at June 30, 2022. The total outstanding of 42.76 billion Rupees at June 30, 2023 includes 7.27 billion Rupees of loan and non-fund based outstanding to borrowers under resolution.

The maximum single borrower outstanding in the BB and below portfolio was less than 5 billion Rupees at June 30, 2023. At June 30, 2023, we held provisions of 4.02 billion Rupees on the BB and below portfolio compared to 4.09 billion Rupees at March 31, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 874.18 billion Rupees at June 30, 2023 compared to 834.90 billion Rupees at March 31, 2023. The total outstanding loans to NBFCs and HFCs were about 8% of our advances at June 30, 2023. The sequential increase in the outstanding to NBFCs and HFCs is mainly due to disbursements to entities having long vintage and entities owned by well-established corporate groups.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 427.12 billion Rupees at June 30, 2023 compared to 398.87 billion Rupees at March 31, 2023. The builder portfolio is about 4% of our total loan portfolio. Our portfolio largely comprises well-established builders and this is also reflected in the sequential increase in the portfolio. About 3.8% of the builder portfolio at June 30, 2023 was either rated BB and below internally or was classified as non-performing, compared to 4.6% at March 31, 2023.

F. Consolidated results

The consolidated profit after tax grew by 44.0% year-on-year to 106.36 billion Rupees in this quarter.

The details of the financial performance of subsidiaries and key associates are covered in slides 46 to 49 in the investor presentation.

The value of new business margin of ICICI Life was 30.0% in Q1-2024 compared to 32.0% in fiscal 2023. The value of new business of ICICI Life was 4.38 billion Rupees in Q1-2024 compared to 4.71 billion Rupees in Q1-2023. The annualized premium equivalent was 14.61 billion Rupees in Q1-2024 compared to 15.20 billion Rupees in Q1-2023. The profit after tax of ICICI Life increased by 32.7% year-on-year to 2.07 billion Rupees in Q1-2024 compared to 1.56 billion Rupees in Q1-2023.

Gross Direct Premium Income of ICICI General was 63.87 billion Rupees in Q1-2024 compared to 53.70 billion Rupees in Q1-2023. The combined ratio stood at 103.8% in Q1-2024 compared to 104.1% in Q1-2023. Excluding the impact of cyclone of ₹ 0.35 billion, the combined ratio was 102.9% for Q1-2024. The profit after tax was 3.90 billion Rupees in Q1-2024 compared to 3.49 billion Rupees in Q1-2023.

The profit after tax of ICICI AMC was 4.74 billion Rupees in this quarter compared to 3.05 billion Rupees in Q1 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 2.71 billion Rupees in this quarter compared to 2.74 billion Rupees in Q1 of last year.

ICICI Bank Canada had a profit after tax of 16.4 million Canadian dollars in this quarter compared to 7.2 million Canadian dollars in Q1 last year.

ICICI Bank UK had a profit after tax of 9.4 million US dollars this quarter compared to 3.4 million US dollars in Q1 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.05 billion Rupees in the current quarter compared to 0.40 billion Rupees in Q1 of last year.

With this, we conclude our opening remarks and we will now be happy to take your questions.

Moderator:

The first question is from the line of Mahrukh Adajania from Nuvama Wealth.

Mahrukh Adajania:

Congratulations. My first question is on cost of funds. Over the last 2 quarters, in each of the quarters, you've seen an over 30 basis points Q-o-Q increase in cost of funds. So do we see this increase moderating from here on? And, where or when do cost of funds peak?

Anindya Banerjee:

I don't want to talk about the level, but we will see the cost of funds continue to increase I would guess, for the next couple of quarters. And by then, the repricing impact should have largely taken place, that trajectory will continue.

Mahrukh Adajania:

Okay. Any kind of colour that you could give on how much deposits have already been repriced and how much are pending to be repriced, how much liability?

Anindya Banerjee:

Not really, because it is a function of both scheduled and premature repayments and also, of course, now given the growth in the deposit base itself, function of the rates that we see incremental deposits are being raised. So, I think, you could try and look at it based on sort of the current versus historic deposit rates and that should give a fair idea. We still have some way to go.

Mahrukh Adajania:

Okay. And my next question is on loan growth. So, in the quarter, at least on a sequential basis, unsecured has grown much faster than secured, even housing. Is there any challenge to asset quality in any of the segments? So, maybe not in the income segments you operate in, but there are often noises about unsecured NPLs going up, it may not be for banks like you, but in general. So, any stress in any segment which could then lead the regulator to hike risk rates?

Anindya Banerjee:

I mean, we can talk about our own portfolio. And as you can imagine, we also pay close attention to market commentary, as well as regulatory commentary and keep looking at the portfolio and various cuts of the portfolio. So we are quite comfortable with our origination and the quality of the portfolio that we have, as well as the incremental volumes that we're doing. So, no concern from our side as such. I think, we continue to see pretty decent opportunity for penetration in our existing customer base, and also for new customer acquisition in our target segments.

Moderator:

The next question is from the line of Kunal Shah from Citigroup.

Kunal Shah:

Yes. Congratulations for a good set of numbers. So, firstly, on just the deposit growth, a lot of catch-up which has happened in this particular quarter itself, getting towards almost of 18-odd percent. So within this term deposits, incrementally how much would have been, say, wholesale versus retail?

Anindya Banerjee:

Since the proportion in our deposit base hasn't really changed. I think, we've always said that 75% to 80% of our deposits overall are retail and that continues. So we've seen pretty strong growth on the retail side. And of course, we have seen some flows on the wholesale side as well, but retail continues to be the prime driver.

Kunal Shah:

Okay. And, in terms of again, the larger part of deposits in terms of the repricing. So, Mahrukh also asked that question, but should we see further catch-up, maybe in the deposits, which would have been raised currently, this would not have entirely got reflected in terms of the cost of deposits now and that should lead to a higher cost of deposits catch-up in the coming quarter?

Anindya Banerjee:

As I mentioned, there is a deposit rate. Now, if you look at the retail deposit rate, it has been more or less stable for the last 6, 7 months. So, to the extent that there are deposits from prior periods that have to mature and reprice, that effect will play through. In addition, of course, the growth in deposits itself. So, if you look at this quarter, we have increased our term deposit base by about INR620 billion. So, that growth in incremental deposit will also affect the overall cost. So we will see a continuing increase in the cost of deposits for the next couple of quarters.

Kunal Shah:

Sure. And second on employee costs. So, last time, you already had a one-off of the retirement and maybe the pace was expected to moderate, but in fact, even on that base we have seen a sequential uptake. So, you highlighted mainly the annual incentives, but how much would be the stable level of employee cost we should look at it? What was the one-off in terms of the annual incentives?

Anindya Banerjee:

See, we don't really disclose the annual incentives, etc. But if you look at it, we had done significant additions to the team in the second half of last year and we have, of course, on top of that, added number of people in the first quarter as well. And also, given the increments and started the year at that level. So that is what has led to the increase in the employee cost. And from here on, we will see based on our business plans, we do expect to continue to hire, and that will start contributing to revenues also at some point.

Kunal Shah:

Sure. And one last question on MCLR differential to private banks. We are still much lower, almost like 25 to 45 basis points kind of there Any plans to catch up on that? Maybe, obviously, it's a factor of cost of deposits and the return expectations, but still it's much on the lower side. And should we see we're getting the benefit on the corporate when we do the lending, maybe clearly a pricing benefit vis-a-vis the private peers?

Anindya Banerjee:

So, I think the way in which MCLR is required to be computed is pretty prescriptive. So we basically follow those guidelines and there is an outcome, there is some discretion beyond that, but it's pretty limited. And so, there is no real question of, say, on the base MCLR, which is the one-year MCLR is doing a catch-up per se. It is a function of the formula.

In terms of the corporate lending, I think, if we look at the current level of MCLR that we have, there are, of course, corporates who are borrowing below that level. So those end up getting some amount linked to external benchmarks and so on. So, I think the level of the MCLR itself does have some impact, but not may be as much, because finally what matters is really the level of yield. I mean, the MCLR is just a benchmark like other available benchmarks.

Moderator:

The next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal:

Congrats on the results. One question is like, has there been any change in the way ICICI Bank is looking at its subsidiaries now? Because often, like changing plans to increase stake in ICICI Lombard down for the period of ICICI Securities. So, any color on that?

Anindya Banerjee:

I don't think there is any fundamental change as far as ICICI Lombard is concerned. As you are aware, our shareholding had come down below 50% due to an M&A that the company has done. And as per statute, we can't hold between 30% and 50%. And when this event happened in 2020, the view was that we would have to go down to 30%, for which we had obtained the regulatory exemption for 3 years, which we subsequently were able to obtain an extension of 1 year. But as things panned out, I think we felt that it would be possible to look at increasing our stake back above 50%, and that is what we decided to do. And we are, of course, awaiting regulatory approval for that, and the application is pending. So, I think, if you look at it from a strategic perspective, whether it is at 48% or 51% is still a very large holding. It's a company carrying our name and so on. So I don't think anything fundamentally changes. It's more a way of what is the best way of complying with the statute.

As far as ICICI Securities is concerned, I think we have always said that it is very core to our business and there is a lot of synergy between ICICI Bank and ICICI Securities. And we have been quite clear that we don't intend to monetize, although it is a listed company and required to maintain a minimum public float, we would not want to go below 75% in that entity. And then as we saw the opportunity to enter into a Scheme of Arrangement and make it a wholly-owned subsidiary, we thought that that would be the right path to pursue given the synergies between the 2 companies. But I don't think either of these is really fundamentally strategic changes.

Nitin Aggarwal:

Okay. And second question is, there has been a slight increase in our NIM advances this quarter, is it possible to share how much of this increase is due to the mix change and growth and how much is due to repricing of loans? What I'm trying to really assess is like, this quarter the NIM compression has been around 12%. So, in the absence of any repricing-related benefit, is it fair to say that NIM could see sharper decline in 2Q and 3Q, when the repricing could be at its peak?

Anindya Banerjee:

So, this quarter, I think, if you look at it, we have seen some increase in our yield on investments and on our yield on advances. I think, we did get some benefit of the last repo hike, which happened during Q4, because the portfolio reprices over a period of time based on the reset date. So that benefit did come. There was also some benefit in the yield on investments, because of the repricing of some of the floating rate bond portfolio and so on. So, assuming that repo rate remains where it is, those kind of benefits will not be there in the subsequent quarters, that's correct.

Nitin Aggarwal:

Right. And if I can squeeze in one more question. On the corporate lending piece, like, we have reported pretty strong growth, 19%, some of the peers this quarter have not grown citing the pricing pressures. So how do you view versus the competitive environment in wholesale business?

Anindya Banerjee:

So, actually, I think if you look back a little further, we were not growing till last year, our corporate loan portfolio as much, while some of the peers were growing it at a much faster clip and our main concern was around the levels of pricing. I would say, over the last year, possibly, certainly, there has been some improvement, post the monetary tightening cycle, there was some better opportunities for corporate lending. So, we continue to look at the risk-adjusted returns and really the whole overall ecosystem approach, because we don't see the lending decision in isolation. And wherever we see that there is an overall opportunity for the corporate, that opportunity from a particular client and their ecosystem, we participate in it. I think, basically, what we're looking for is the first principle of return of capital. We want to keep the portfolio reasonably granular and really look at cases where we have a larger ecosystem opportunity in terms of their value chain and their employee base. So, within this construct, we're quite happy to grow the corporate portfolio.

Moderator:

Next question is from the line of Saurabh from JPMorgan.

Saurabh:

Sir, just two questions. One is, the attrition level at ICICI Bank, would it have gone up in fiscal '23 versus fiscal '22? Secondly, the growth that we're seeing in personal loans and credit cards. So have you moderated down risk filters? Or is it due to more cross-sells through your existing clients, like, if you could give some qualitative color around that?

Anindya Banerjee:

So, first, I think on attrition we have not yet published our BRSR. That will come out hopefully in the next 10 to 15 days, and then the numbers would be in the public domain. I think you've seen the numbers which have come out of some of our peer set, and they are reasonably high and that's reflective, I guess, of what is happening across the system over the last 2 years, I would say. So I don't think that there is any specific thing that we would want to call out really regarding attrition in our context. On your second question, on credit cards and personal loans, so we have not moderated any sort of whatever diluted any risk filters on a large-scale basis. Of course, we would always be trying to sharp shoot and sort of figure out which are the pockets where we can do more and which are the pockets that we should do less. But broadly, I would say, our stance on risk has been quite consistent, and we keep reviewing the portfolio and the outcome today are well within our tolerance range.

Moderator:

Next question is from the line of Param Subramanian from Nomura.

Param Subramanian:

My question is on operating expenses. So, if you look over the last couple of years, the operating expenses have actually been growing faster than the overall balance sheet growth, and it continues to be so. So, any timeline or any guidance on when this starts moderating or we see some sort of operating leverage kicking in? Of course, we still have the employee headcount and the branch rollout still in the pipeline. But, yes, any color around when we see an operating leverage playing out? That's my first question.

Anindya Banerjee:

So, we don't really look at it that way. I mean, in that sense if you look at this quarter also, the operating income growth is a little bit higher than the operating expense growth. So, what we look at is really the overall PPOP and that having a positive direction on a risk-calibrated basis. And we would look at all levels of profitability within that. Currently, as we have said in the past, we feel that there is a lot of opportunity for us to grow our franchise and we would continue to invest in that.

Param Subramanian:

Okay. Fair enough. Just one more question again on the unsecured loans. Now, if you look across the market participants, there hasn't really been an increase in the lending rates across the market. Now, in your sense, is this being led largely by competition? Or do you see any pressure in being able to increase your lending rates over the year? And is this something that should play out, say, over the course of the year? Because if we compare with other segments, the other segments have not really seen any repricing over the last year. Yes, that's it for me.

Anindya Banerjee:

Sorry, which particular segment are you referring to? I missed that.

Param Subramanian:

Unsecured personal loans largely, yes.

Anindya Banerjee:

I think it has been quite competitive, and rates have not moved up. So, I don't see immediate sort of move up in rates. There have been a lot of players entering that segment, a lot of banks, as well as some of the NBFCs. And, I guess, credit experience in that segment has also been pretty good over the years. So, in that sense, some reduction in the rates from what we have seen historically would be justified. But yes, today, the rates are at probably pretty low level, but I don't see them increasing much from here, although probably ideally they should.

Param Subramanian:

Congratulations on the quarter.

Moderator:

Thank you very much. I now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you all for sparing time on the Saturday evening, and we'll be available to take your questions off-line as well. Thank you.

Moderator:

Thank you very much. On behalf of ICICI Bank Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.