August 2, 2024

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, 2024.

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/article/interaction-with-media-icici-bank-financial-performance-in-the-quarter-ended-june-2024
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=ICICI BANK LIMITED, ou=ICICI, email=vivek178@yahoo.com, c=IN
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Vivek Ranjan
Assistant General Manager
Encl.: as above

Copy to-
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ICICI Bank Limited

Media conference call for quarter ended June 30, 2024

on July 27, 2024

Certain statements in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions; political or economic instability in the jurisdictions where we have operations, increase in non-performing loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov.

This release does not constitute an offer of securities.

Moderator:

Ladies and gentlemen, we welcome you all to the ICICI Bank 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. Good evening everyone. Joining me today for this call is our Group Chief Financial Officer, Anindya Banerjee. Thank you all for joining us today.

The Indian economy continues to remain resilient as reflected by high frequency indicators showing growth momentum such as expansion in manufacturing and services PMI, higher tax collections, real estate buoyancy and pickup in rural demand, supported by the consistent actions and initiatives of the policymakers. The Government led capex cycle is continuing. We continue to monitor the evolving economic developments. At ICICI Bank, our strategic focus continues to be on growing profit before tax excluding treasury through the 360-degree customer centric approach and by serving opportunities across ecosystems and micro markets. We continue to operate within our strategic framework to strengthen our franchise and expand our technology and digital offerings. We continue to focus on enhancing delivery systems, simplifying processes and strengthening our operational resilience for seamless delivery of services to our customers. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are focus areas for our risk calibrated profitable growth. Our Board has today approved the financial results of ICICI Bank for the quarter ended June 30, 2024. I would like to highlight some key numbers:

A. Profit and capital

1. Net interest income increased by 7.3% year-on-year to ₹19,553 crore in Q1-2025

2. The net interest margin was 4.36% in Q1-2025 compared to 4.40% in Q4-2024 and 4.78% in Q1-2024.

3. Fee income grew by 13.4% year-on-year to ₹5,490 crore in Q1-2025

4. Provisions (excluding provision for tax) were ₹1,332 crore in Q1-2025

5. Profit before tax excluding treasury, grew by 11.8% year-on-year to ₹14,080 crore in Q1-2025

6. Core operating profit grew by 11.0% year-on-year to ₹15,412 crore in Q1-2025

7. The profit after tax grew by 14.6% year-on-year to ₹11,059 crore in Q1-2025

8. The consolidated profit after tax grew by 10.0% year-on-year to ₹11,696 crore in Q1-2025

9. The standalone RoE was 18.0% in Q1-2025

10. At June 30, 2024, the Bank had a net worth over ₹2.5 lakh crore. Including profits for Q1-2025, CET-1 ratio was 15.92% and total capital adequacy ratio was 16.63%

Moving to Deposit Growth

B. Deposit growth

1. Total period-end deposits increased by 15.1% year-on-year to ₹14,26,150 crore at June 30, 2024

2. Average deposits increased by 17.8% year-on-year and 3.3% sequentially to ₹13,78,658 crore during Q1-2025

3. Average current account deposits increased by 13.3% year-on-year

4. Average savings account deposits increased by 8.2% year-on-year

5. The Bank opened 64 branches during Q1-2025, 513 branches in the last 12 months and had a network of 6,587 branches and 17,102 ATMs and cash recycling machines at June 30, 2024

Moving to loan growth

C. Loan growth

1. The domestic loan portfolio grew by 15.9% year-on-year and 3.3% sequentially at June 30, 2024

2. The retail loan portfolio grew by 17.1% year-on-year and 2.4% sequentially. Including non-fund outstanding, the retail loan portfolio was 46.3% of the total portfolio. The Bank calibrated its pace of growth in Personal loans and it grew by 24.9% year-on-year and 1.5% sequentially. The credit card portfolio grew by 31.3% year-on-year and 4.2% sequentially. The business-banking portfolio grew by 35.6% year-on-year and 8.9% sequentially. The SME business, comprising borrowers with a turnover of less than ₹250 crore, grew by 23.5% year-on-year and 4.0% sequentially. The rural portfolio grew by

16.9% year-on-year and 3.4% sequentially. Growth in the domestic corporate portfolio was 10.3% year-on-year and 3.1% sequentially at June 30, 2024

3. 68.4% of the total loan portfolio, excluding, retail and rural, was rated A- and above at June 30, 2024

Moving on to out digital initiatives.

D. Digital initiatives

We continue to enhance the use of technology in our operations to provide simplified solutions to customers. The Bank has launched an industry-first initiative ‘SmartLock’ that empowers customers to instantly lock or unlock the key banking services such as UPI, Debit Cards, Credit Cards, with just one click on iMobile Pay. About 71% of trade transactions were done digitally in Q1-2025. The volume of transactions done through Trade Online platform grew by 21.5% year-on-year in Q1-2025.

E. Asset Quality

1. The net NPA ratio was 0.43% at June 30, 2024 compared to 0.42% at March 31, 2024

2. During Q1-2025, there were net additions to gross NPAs of ₹2,624 crore.

3. The gross NPA additions were ₹5,916 crore in Q1-2025. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹3,292 crore in Q1-2025.

4. The gross NPAs written off were ₹1,753 crore in Q1-2025

5. There was sale of NPAs worth ₹114 crore in the current quarter

6. The provisioning coverage ratio on NPAs was 79.7% at June 30, 2024

7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹2,735 crore or 0.2% of total advances at June 30, 2024 from ₹3,059 crore at March 31, 2024. The Bank holds provisions amounting to ₹863 crore against these borrowers under resolution, as of June 30, 2024.

8. The loan and non-fund based outstanding to performing borrowers rated BB and below reduced to ₹5,286 crore at June 30, 2024 from ₹5,528 crore at March 31, 2024.

9. The Bank continues to hold contingency provisions of ₹13,100 crore at June 30, 2024.

Going forward, we will continue to operate within our strategic framework while focusing on micro markets and ecosystems. The principles of "Fair to Customer, Fair to Bank", "One Bank, One Team" and "Return of Capital" 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 opening remarks and I will be happy to take questions from yourself. Thank 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 * and 1 on their telephone. If you wish to remove yourself from the question queue, you may press * 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. The first question is from the line of Saloni Shukla from Economic Times. Please go ahead.

Saloni Shukla:

Hi sir, good evening. Sir, could you please explain your strategy for deposit and loan growth going forward? I am coming from HDFC Bank, I know there is different situation right now but then what exactly will be your strategy this quarter? We have seen both have grown around 15%. So, going forward, will that be calibrated? You said personal loan can be calibrated. What can we expect on that front?

Sandeep Batra:

From our perspective, our strategy remains pretty much the same that we have been talking for some time. We would like to grow in a risk-calibrated fashion. We would like to work with good customers and clearly deposits and loans go hand-in-hand. As I did explain, our average deposits year-on-year grew by about 17.8% and our loan portfolio grew by about 15.7% during the course of the year. We have continued to see this healthy growth and of course, even our period-end deposit has grown at about 15.1% and which is very much in line with what the domestic loan growth happened. But, of course, as you alluded to, the wholesale deposits in the system have remained sticky during the first quarter and we have seen some banks increasing retail deposits. Of course, there is also this dynamics of the new LCR guidelines, which has come into place. Our focus will continue to remain on trying to meet the 360-degree needs of the customer and that has played out well for us in the past and hopefully, will play out for us in the future as well.

Saloni Shukla:

Sir, any initial calculation from the LCR impact?

Sandeep Batra:

It's difficult to make the calculation. I mean there have been lots of analyst reports including articles written in your newspaper as well. You're familiar with the guidelines. So, I will not dwell into the details of it. Of course, RBI from its perspective has given time till 31st August for us to comment and it is applicable from the next fiscal year. I think the concern essentially emanates from possibility of deposit outflows in a digital banking environment. So, there has been increase in outflow components both for stable and what is called less stable. So, yes, it will have impact on deposit costs, loan growth, lending rate, investment yields, it's sort of a dynamic situation. But I think it's very difficult to assess the impacts right now and we will revisit our plans once the final guidelines come into place. But from our perspective, I think this is applicable from a system angle and RBI when it comes out with the guidelines thoughtfully from a larger systemic angle. From our perspective, our focus continues to remain on trying to achieve, deliver 360-degree solutions to our customers, try to be fair to them and the strategy continues to be the same.

Saloni Shukla:

One final question, on fresh slippages have gone up, sir. Where is it coming from? Is it just seasonal like we have seen in the other banks?

Sandeep Batra:

Yes, it's a marginal increase. You're right. I mean that some of it is coming from KCC. I can give you the specific numbers. I mean they have been actually stable across other than the seasonal impact of KCC NPA. Yes, I mean this is very much in line with our outlook, which we have communicated in the past. Net additions and credit cost in granular portfolios retail have been increasing, and recoveries are not, of course even spread. But frankly, credit costs are well contained, if I may say so, and are below the normal levels.

Saloni Shukla:

Thank you so much sir.

Moderator:

Thank you. We take the next question from the line of Vishwanath Nair from NDTV Profit. Please go ahead.

Vishwanath Nair:

Hi Mr. Batra, just following up on Saloni's question around the slippages. The net additions to gross NPAs, yes, these are very small numbers compared to your overall balance sheet, but there is a doubling number there from ₹1,200 crore in Q4 to now about ₹2,600 crore. I just wanted to get a view as to what happened there because that is not adjusting for write-off, right? The second question is with regard to what exactly does calibration on personal loan mean, because you've been citing this risk adjusted growth for a while now. So, what more calibration have you done. On the personal loan front?

Sandeep Batra:

If you see the personal loan growth - I will answer that first - growth itself has reduced. We grew during the current quarter by about 24% and this is down from, high 30s at one point of time. So, clearly the effect of all the adjustments that we have been doing for some time and that's a regular exercise that we keep on doing. So, we look at our portfolios, we look at the sourcing, we look at the bureau's internal assessment and based on that there are small adjustments. That is a continuous process. Coming to your question on slippages, yes, the gross additions are probably at a very similar level, I mean it was about ₹5,100 crore in Q4 and for this quarter it is about ₹5,900 crore. The recoveries are slightly on the lower side. But some of it has got to do with seasonality as well. And as I did mention, the corporate recoveries is very difficult to talk about in a particular call out in a particular quarter and they have to be looked more in the overall sense. As you rightly pointed out yourself, this has to be seen in the overall context. And we were at a very benign credit cycle and there is some amount of normalisation, which we had called out even in the past. But they are all well within our threshold from that perspective.

Anindya Banerjee:

If I can add, finally we have to look at these numbers in the context of the impact on the P&L and balance sheet. So, if you look at it, the credit costs are still 50 bps of the average loan. The net NPA ratio and the gross NPA ratio are flat sequentially. And the provisioning coverage remains at about 80%. So, that is the net result of it.

Vishwanath Nair:

If I can just add in this LCR question also, the whole point of Bank getting into digitisation was to make the life easier for customers. But then would that change that approach at all?

Sandeep Batra:

While we have to assess all of it, I think digitisation is here to stay. I don't think that is going away. Will it have other implications? As I did mention around liquidity and cost of deposits, etc., that is sort of possible. But as I said earlier, we will assess the impact of some of these across the markets and anyway, the final guidelines is yet to come, and of course we do have time till April to prepare for ourselves. So, I don't think this is an indication of going back to a physical model.

Vishwanath Nair:

I was talking about the cost angle if there is any -

Sandeep Batra:

I think there has been enough analyst reports that will have it. You tighten the LCR ratio, which obviously means I will have to raise more deposits and deploy them, which obviously has implications on both deposit cost, loan growth and investment yields and asset mix, etc., But there are many levers and we will play it out. Frankly, it is too early to call out at this point. We will wait for an assessment and whatever happens will happen for the entire system.

Vishwanath Nair:

Sure, thank you.

Moderator:

Thank you, the next question is from the line of Hamsini Karthik from Moneycontrol. Please go ahead.

Hamsini Karthik:

Two questions. I will take the point on NIM first. Somewhere we are seeing a 3.5% and irrespective of what the LCR guidelines are going to come out, the war for deposits is only seeming to be more intense than what it was a year or so back. So, what is the comfort level of NIM that you would want to work with? Is there any guidance that you can provide on that? And are you bracing yourself up for a few more basis points of saving of yours?

Sandeep Batra:

Hamsini, thank you for your question. If you see from our perspective, we are not looking at one line. I mean, there is NIM, there is operating cost and within operating cost there are multiple levers, which are in-house cost and outsourcing cost, etc. And then there is provisions. So, I think when you're looking at the P&L of the Bank, you have to look at all the levers and optimise them based on the environment, the product and whatever propositions that you might be having. Clearly, from a NIM perspective, we were at a peak NIM about year and half ago and they have been trending downwards and which has got everything to do with the rate cycle which RBI have. So, in line with that, our NIMs have been operating and they will be probably in range-bound. And of course, we will have to see the impact of these LCR guidelines, how do they play off. And, whenever there is a repo rate cut which is from RBI, that itself will have some kind of an impact. So, that is broadly the way we are looking at it.

Hamsini Karthik:

With respect to your NII growth, sir, at around 7%, 8%, this is possibly one of the slowest quarters for you. Would you attribute it to any particular reason, or would I be fair in assuming that the intensity of competition on the lending side has become much more cut-throat than what it was six months back?

Anindya Banerjee:

If I can take that, as you are aware, when RBI raised the repo rate in fiscal 2023, banks saw an increase in the yields while the deposit cost caught up with the lag. And the NIM has been moderating for the last four or five quarters as that phenomenon has played through, which is quite well understood I think. And, therefore, if you look at the NII growth year-on-year for this quarter, the NIM for this quarter is at 4.36%, whereas the NIM for the same quarter last year was 4.78%. So, that has offset basically the loan growth or the growth in interest earning assets, net of interest earning liability. So, it is a reflection of the year-on-year movement in the NIM. If you look at it sequentially, of course, the movement has moderated substantially to only about four basis points.

Hamsini Karthik:

Just one last clarification if you would permit. The home finance subsidiary of ICICI Bank seems to have seen an increase in capital adequacy ratio at around 22%. Was there any infusion done in the quarter, sir?

Anindya Banerjee:

Yes, we did put in some equity.

Hamsini Karthik:

How much was it?

Anindya Banerjee:

About ₹5 billion.

Hamsini Karthik:

And this LCR circular, do you see a tectonic change happening in the way digital banking would work out considering that the cost of digital banking has also risen sharply in the last four years?

Sandeep Batra:

I think digitisation is here to stay. So, I think that is a given. As I did mention earlier, this LCR guidelines have got other implications and they're applicable across the system and we have time to adjust to that. So, we will assess the impact as we go along.

Hamsini Karthik:

Thank you so much

Moderator:

We will take our next question from the line of Ashish Agashe from Press Trust of India. Please go ahead.

Ashish Agashe:

Thank you so much sir, I hope I am audible. A small clarification to Hamsini's question. You said that the NIM would be range-bound. They have been declining, but they'll be range-bound. So, how am I to infer that in the sense that like you have a range in which it will operate or would they be stable?

Anindya Banerjee:

So, we don't give any guidance on any parameter. I think as we explained in response to the previous question, the NIMs have gone on a particular trajectory because of the way the loan yields and deposit costs have moved at different times. What we mean by range-bound is that the process is largely done. And from here, we don't expect sharp movements. Of course, as Sandeep mentioned, to the extent that the revised LCR guidelines impact, you know deposit and loan markets we'll have to kind of adjust for that as we go along. For example, if we look at, as I said, over the last four or five quarters, the NIM has gone down by 40 basis points. In the normal course, we would not expect that kind of movement to happen.

Ashish Agashe:

Okay sir. I think you were also giving the break up on the slippages front, ₹5,900 crore. You just mentioned that quite a lot is coming from KCC, which is seasonal. If you can please help with the breakup as well, sir? And a second small question, sir, how was it on the overall employees front on a net basis were the additions during the quarter and what is the total strength stand at right now?

Sandeep Batra:

I will give you the split of the gross additions. As I did mention, the gross additions in the quarter was ₹5,916 crore, out of which retail, rural and business banking was ₹5,732 crore, corporate and SME was small at ₹184 crore. In terms of recoveries and upgrades, we had a total of ₹3,292 crore, out of which a substantial portion came from retail, rural and business banking which was ₹2,933 crore, and corporate and SME was ₹359 crore. So, the net additions was ₹2,624 crore. I don't think we give the employees numbers in the public on the quarterly basis. The March numbers are anyway out there.

Ashish Agashe:

And within retail, sir, how much would the KCC be or is it classified under rural?

Sandeep Batra:

The additions to KCC has been about ₹721 crore.

Ashish Agashe:

So, bulk of it is coming from outside of KCC like as well, are there other segments as well sir beyond KCC?

Sandeep Batra:

Which is true. I mean that has been there in line with even previous quarter. So, the numbers on an overall basis continue to be benign and well below the normalisation that we have been talking about.

Ashish Agashe:

What is the experience on the unsecured bit, sir, CC and PL?

Sandeep Batra:

We don't give specifically, but we are comfortable with the quality of the book that we have built.

Ashish Agashe:

Thank you so much sir

Moderator:

Next question is from the line of Lalatendu Mishra from The Hindu. Please go ahead.

Lalatendu Mishra:

This is regarding the net profit growth of about 15%. Is this good or is it below expectation, and why this number?

Sandeep Batra:

Well, the expectation is set by yourself. So you have to tell me if it is good or not. In an overall context, you have to see how the market has been behaving. I mean, we have grown at a much faster pace in the past. But given the fact that we were having very benign credit costs and much higher NIM, this is now becoming a more normalised base. And from an overall Bank's perspective, you have to see it in the context, both advances and liabilities have grown at about 15% and we are progressing well. So, I think we work in the results and outcome of the framework. We have been talking about the framework from 'Fair to Bank, Fair to customer', 360-degree services for our customers, operate in micro markets, there is a whole value system that we would like to operate in. As we did mention, we don't really give any forward-looking outlook. The numbers will be an outcome of the internal strategies and we are quite happy with the progress. Can we do better? Of course, we can do better.

Lalatendu Mishra:

Can I have the absolute YoY numbers of the gross NPA, net NPA, gross net addition and recoveries or upgrades of NPA and net addition of gross NPA.

Sandeep Batra:

Sure. I think I will just ask Kausik to just mail that to you after the call.

Lalatendu Mishra:

Sure, thank you.

Moderator:

Thank you, we take our next question from the line of Ram Kumar from Hindu BusinessLine. Please go ahead.

Ram Kumar:

Sir, can you give us an idea about your overseas lending operations, how does the book grown overseas?

Sandeep Batra:

The overseas has grown by about 7% year-on-year and it constitutes about less than ₹3,000 crore. This is across our branches. So, the total amount of overseas book is about ₹34,567 crore.

Ram Kumar:

So, is your overseas book actually shrinking as a total proportion of the total loans actually?

Sandeep Batra:

Yes, it has been shrinking for quite a while. As I did explain in our previous calls, our overall approach overseas has changed and the change in strategy will naturally not result in large amount of book. I think we talked about and sort of repeat it now. The overall strategy is around serving the NRI community, which is on remittances, etc. We look at trade between India and the overseas and countries that our branches are. We look at fund flows and at entities operating over there who want to set up shops in India. So, a lot of it is not necessarily fund-based. Given that overall context, the percentage of book is decreasing, but that doesn't mean that our international operations are not important. They are important in our scheme of things and we will continue to remain invested there.

Ram Kumar:

What is the proportion of overseas loan book loan versus the total loan portfolio actually right now?

Sandeep Batra:

It's under 3%- 2.8% to be more precise.

Ram Kumar:

A lot of public sector banks are raising resources for infrastructure and affordable housing. So, how about ICICI Bank, are you looking at some kind of infra bonds or affordable housing loan bonds actually?

Sandeep Batra:

Whenever an opportunity comes, we do that, and we have done some amount of it in this early during this quarter. So, whenever there are opportunities and whenever there are funding needs we do tap into them.

Ram Kumar:

Okay, thank you.

Moderator:

Thank you. Our next question is from the line of Preeti Singh from Bloomberg. Please go ahead.

Preeti Singh:

Hi Mr. Batra, I just had one question. The deposit growth has been tepid in the last quarter. I am just curious what are some of sort of levers you're trying to pull?

Anindya Banerjee:

Our deposit growth has been tepid year-on-year. I think on an average basis it's been a little bit higher. So, it is reasonably higher than the system and it's very balanced with our loan growth. So, we are pretty comfortable on that front.

Preeti Singh:

I meant quarter-on-quarter, but also I am just curious if you say you've been higher than the market. So, what have you done to ensure that your deposit growth is higher?

Anindya Banerjee:

Quarter-and-quarter, I don't think deposits move that much particularly in the first quarter because typically you do have a situation of excess liquidity and build-up of deposits at the end of March, which partly unwinds during the first quarter and I think that's the trend you would see across. So, that is not too material. What we have done, I think it is part of basically, what Sandeep outlined. Our whole approach towards micro markets and ecosystems and taking the full Bank to the customer. I think that is what works to grow the business.

Preeti Singh:

Okay, thank you.

Moderator:

Next question is from the line of Richard Fargose from the Informist. Please go ahead.

Richard Fargose:

Sir, I hope I am audible.

Sandeep Batra:

Yes

Richard Fargose:

The other income has grown almost 25% on quarter. Generally, the April-June is muted in terms of fees income. What has really led to this rise?

Sandeep Batra:

Some amount of it is dividend income from our subsidiaries, which has come through. And I think that is the major thing. The fees income is there and there is also some amount of treasury income, but that I think will come in a different line. You're talking of other income. That will be a combination of fees, dividend has certainly increased during the quarter from our subsidiaries.

Richard Fargose:

How much is the dividend part?

Sandeep Batra:

So, for the quarter, we got a dividend of about ₹894 crore.

Richard Fargose:

Versus YoY number, sir?

Sandeep Batra:

In Q1 of 2024, we got about ₹291 crore. So, that’s substantial.

Richard Fargose:

Yes about ₹700 crore jump?

Sandeep Batra:

Yes, about ₹600 crore.

Richard Fargose:

Thank you sir

Moderator:

Next question is from the line of Gopika Gopakumar from Mint. Please go ahead.

Gopika Gopakumar:

Hi Mr. Batra, can you hear me?

Sandeep Batra:

Yes, Gopi.

Gopika Gopakumar:

I just wanted to understand what is your outlook on credit cost?

Sandeep Batra:

As you know, we don't give outlook. There is no specific thing to call out. I mean, we have given our numbers in terms of what we achieved during the quarter and the credit cost continues to be well contained and below normalised levels. The only thing specific that I called out earlier was the marginal increase on KCC NPAs. But otherwise, the portfolio both in terms of rating and composition is stable.

Gopika Gopakumar:

And going forward also, you see credit cost contained at these levels?

Sandeep Batra:

I mean very difficult to call out or give what happens in the future. What we look at it at the time, we do believe that we have a strong underwriting process and we have built a reasonably good quality of portfolio, and of course, there are many factors around it, but at this point of time, we are okay.

Gopika Gopakumar:

Could you give some colors on your corporate lending book, the growth and how do you see the pipeline?

Sandeep Batra:

As we have been saying, I mean the capacity utilisation across corporate is now ranging in the 75% to 80%. And corporate CAPEX has been in a way a lot of it is getting funded through internal accruals. From our perspective, we are happy to lend as long as the risk and rewards and the pricing sort of match out. And during the quarter, we infused our book by about 10 odd percent. So, from overall basis, as we have said in the past, we do not really look at a composition of portfolio. And whenever opportunities do come in, we are more than happy to lend.

Gopika Gopakumar:

Thank you.

Moderator:

We'll take the next question from the line of Subrata Panda from Business Standard. Please go ahead.

Sandeep Batra:

Yes, Subrata.

Subrata Panda:

So, I just wanted to understand a bit about the unsecured portfolio. How is it doing, are you seeing any early signs of stress there, especially on personal loans, credit cards?

Sandeep Batra:

No, nothing specific to call out. As I did mention that we have sort of moderated the growth in the personal loan book. So, the portfolio between personal loan and credit card is about 14% of our portfolio. The portfolio has increased by about 24% year-on-year and 1.5% sequentially and this number was significantly higher as you are aware in the previous quarter. We continue to work on increasing prices, refining credit parameters and optimising sourcing cost. And we look at all the levers internally what is appropriate. So, I mean, at this point of time, we are quite confident of the portfolio that we have built and we have continued to make policy refinements, and the delinquency levels are well within our internally defined risk parameters at this point of time.

Subrata Panda:

So, no stress as of now in that sense?

Sandeep Batra:

I mean they're all part of the overall framework and the numbers are there for you to see. In any way we look at it from a overall customer angle rather than looking at a product angle and refinement keeps on happening. So, as I did mention the risk levels are well within our defined thresholds.

Subrata Panda:

On the deposit front, I mean, how much of a factor will interest rate be going forward given the NIM consideration, because a lot of banks are launching special schemes, offering higher rates, so what is ICICI Bank's strategy here?

Sandeep Batra:

Our strategy continues to be delivering 360-degree to a customer and as long as that plays out I think we are fine. The customer needs deposits, their loans, they need cards, they need a good payment solution. So, from an overall angle, we try to achieve a 360-bdegrees and then as part of that, deposit growth does happen. So, our strategy has been pretty much similar to what we have been offering in the past and we will continue to remain focused on that.

Subrata Panda:

Sure, thank you.

Moderator:

We'll take the next question from the line of Hamsini Karthik from Moneycontrol. Please go ahead.

Hamsini Karthik:

I just want one small clarification here. You mentioned about five micro markets. Want to understand sir, micro markets are geography based or customers that you classified as micro markets, and if you can name them, because this is the first time I am hearing that word so much often used by the management in its commentary, so out of curiosity?

Sandeep Batra:

Just to clarify, it's not five micro markets. We have got multiple micro markets and they got well across these various geographies and across sectors. And we have been talking about our micro market approach for a very long period of time. If you see our annual report over the last four or five years, that is somewhere or the other. We really focus on it. It essentially means that people at the ground level are well aware of it. I mean, if you just start even from Mumbai, the market in say Churchgate is very different by the time you reach Virar. And of course, you will have varied over here- the micro market in say Bhiwandi will be different from what it is. What we are really trying to say is, it's very difficult to make an assessment of opportunities at risk centrally. While we do have this threshold, it actually means there is a fair bit of empowerment which is there at the people on the ground level to make an assessment of opportunities, highlight risks and then try to deepen what we are really trying to do. So, that is essentially what we are really trying to do. And it cannot be one size fit all everywhere. There will be certain micro markets in fact in parts of the city, which will be just the pensioners market. So, the product that we are going to be offering is around deposits, that's all. And a place where if you have got an industrial hub, it is largely around SMEs and corporate loan. So, I am just saying, every branch, every region cannot be given one kind of a target to grow across. It depends on the ecosystem around there, it depends on the opportunity out there and the objective is to maximise whatever is relevant in that ecosystem.

Hamsini Karthik:

Got it sir, thank you so much

Moderator:

Next question is from the line of Ben from New Indian Express. Please go ahead.

Benn:

Hello, I have one clarification. You refuse to speak about the new LCR framework, but what is your current LCR now?

Sandeep Batra:

Our LCR is 123% for the quarter.

Benn:

Is this average and there is a variation?

Anindya Banerjee:

LCR is reported on an average basis for the quarter.

Benn:

And after the Kotak incident, every Bank was wondering to speak about their IT investments. You want to volunteer, or it is not something you don't want to?

Sandeep Batra:

IT continues to be an important aspect of our overall growth and we have been talking about it at the time. I think both from a resilience point of view, scalability and safety point of view, we continue to invest whatever is required. And at this point of time roughly about 9.5% of our overall OPEX goes into technology. And whatever needs to be invested to ensure that our systems are resilient and secured, we do make that investment. Having said that, I mean it's the technology and incidents will happen. And to see how to ensure that they are minimised and in case there is an issue, our ability to come back is what we really focus on.

Ben:

You said 9.5%, right?

Sandeep Batra:

Yes, that's 9.5% for the quarter.

Ben:

Is this average or there has been a spike on year-on-year basis?

Sandeep Batra:

Well, it has been roughly in this range since about a year or so. But if I look at what it was about three or four years back, it has substantially moved up.

Ben:

Okay

Sandeep Batra:

Thank you.

Moderator:

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

Analyst call on July 27, 2024: Opening Remarks

Certain definitions in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions, political or economic instability in the jurisdictions where we have operations or which affect global or Indian economic conditions, increase in nonperforming loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov

This release does not constitute an offer of securities.

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 FY2025. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

The Indian economy continues to remain resilient as reflected by high frequency indicators showing growth momentum such as expansion in manufacturing and services PMI, higher tax collections, real estate buoyancy and pickup in rural demand, supported by the consistent actions and initiatives of the policymakers.

At ICICI Bank, our strategic focus continues to be on growing profit before tax excluding treasury through the 360-degree customer centric approach and by serving opportunities across ecosystems and micromarkets. We continue to operate within our strategic framework to strengthen our franchise. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are focus areas for our risk calibrated profitable growth.

The profit before tax excluding treasury grew by 11.8% year-on-year to 140.80 billion Rupees in this quarter. The core operating profit increased by 11.0% year-on-year to 154.12 billion Rupees in this quarter. The profit after tax grew by 14.6% year-on-year to 110.59 billion Rupees in this quarter.

Total deposits grew by 15.1% year-on-year and 0.9% sequentially at June 30, 2024. Term deposits increased by 19.9% year-on-year and 3.1% sequentially at June 30, 2024. During the quarter, average deposits grew by 17.8% year-on-year and 3.3% sequentially and average current and savings account deposits grew by 9.7% year-on-year and 5.1% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 123%.

The domestic loan portfolio grew by 15.9% year-on-year and 3.3% sequentially at June 30, 2024. The retail loan portfolio grew by 17.1% year-on-year and 2.4% sequentially. Including non-fund based outstanding, the retail portfolio was 46.3% of the total portfolio. The business banking portfolio grew by 35.6% year-on-year and 8.9% sequentially. The SME portfolio grew by 23.5% year-on-year and 4.0% sequentially. The rural portfolio grew by 16.9% year-on-year and 3.4% sequentially. The domestic corporate portfolio grew by 10.3% year-on-year and 3.1% sequentially. The overall loan portfolio including the international branches portfolio grew by 15.7% year-on-year and 3.3% sequentially at June 30, 2024.

The net NPA ratio was 0.43% at June 30, 2024 compared to 0.42% at March 31, 2024 and 0.48% at June 30, 2023. During the quarter, there were net additions of 26.24 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 compared to previous quarter. The total provisions during the quarter were 13.32 billion Rupees or 8.6% of core operating profit and 0.43% of average advances. The provisioning coverage ratio on NPAs was 79.7% at June 30, 2024. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.1% of total loans at June 30, 2024.

The capital position of the Bank continued to be strong with a CET-1 ratio of 15.92% and total capital adequacy ratio of 16.63% at June 30, 2024, including profits for Q1 of 2025.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360 degree, extensive franchise and collaboration within the organisation, backed by our focus on enhancing delivery systems and simplifying processes 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 are laying strong emphasis on strengthening our operational resilience for seamless delivery of services to customers. 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” 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 14.2% year-on-year and 2.5% sequentially. Auto loans grew by 14.8% year-on-year and 1.7% sequentially. The commercial vehicles and equipment portfolio grew by 13.9% year-on-year and 2.2% sequentially. Personal loans grew by 24.9% year-on-year and 1.5% sequentially. The credit card portfolio grew by 31.3% year-on-year and 4.2% sequentially. The personal loans and credit card portfolio were 9.7% and 4.4% of the overall loan book respectively at June 30, 2024.

The overseas loan portfolio, in US dollar terms, grew by 5.4% year-on-year at June 30, 2024. The overseas loan portfolio was about 2.8% of the overall loan book at June 30, 2024. The non-India linked corporate portfolio declined by 9.0% or about 24.8 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 92% comprises Indian corporates, 6% overseas corporates with Indian linkage, 1% comprises companies owned by NRIs or PIOs and balance 1% non-India corporates.

B. Credit quality

The gross NPA additions were 59.16 billion Rupees in the current quarter compared to 51.39 billion Rupees in the previous quarter. There were gross NPA additions of about 7.21 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 gross NPAs, excluding write-offs and sale, were 32.92 billion Rupees in the current quarter compared to 39.18 billion Rupees in the previous quarter. The net additions to gross NPAs were 26.24 billion Rupees in the current quarter compared to 12.21 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 57.32 billion Rupees in the current quarter compared to 49.28 billion Rupees in the previous quarter. These include the KCC NPAs mentioned earlier. Recoveries and upgrades from the retail, rural and business banking portfolio were 29.33 billion Rupees compared to 32.17 billion Rupees in the previous quarter. The net additions to gross NPAs in the retail, rural and business banking portfolios were 27.99 billion Rupees compared to 17.11 billion Rupees in the previous quarter.

The gross NPA additions from the corporate and SME portfolio were 1.84 billion Rupees compared to 2.11 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 3.59 billion Rupees compared to 7.01 billion Rupees in the previous quarter. There were net deletions of gross NPAs of 1.75 billion Rupees in the corporate and SME portfolio compared to 4.90 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 17.53 billion Rupees. There was sale of gross NPAs of 1.14 billion rupees in the current quarter compared to

3.27 billion Rupees in the previous quarter. The sale of NPAs includes about 1.02 billion Rupees in cash.

The non-fund based outstanding to borrowers classified as non-performing was 35.43 billion Rupees as of June 30, 2024 compared to 36.71 billion Rupees as of March 31, 2024. 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 27.35 billion Rupees or about 0.2% of the total loan portfolio at June 30, 2024 from 30.59 billion Rupees at March 31, 2024. Of the total fund based outstanding under resolution at June 30, 2024, 23.25 billion Rupees was from the retail, rural and business banking portfolio and 4.10 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 8.63 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 7.3% year-on-year to 195.53 billion Rupees in this quarter. The net interest margin was 4.36% in this quarter compared to 4.40% in the previous quarter and 4.78% in Q1 of last year. The impact of interest on income tax refund on net interest margin was nil in the current and previous quarter and was 3 bps in Q1 of last year.

The domestic NIM was 4.44% in this quarter compared to 4.49% in the previous quarter and 4.88% in Q1 of last year. The cost of deposits was 4.84% in this quarter compared to 4.82% in the previous quarter. Of the total domestic loans, interest rates on 50% of the loans are linked to the repo rate, 2% to other external benchmarks and 17% to MCLR and other older benchmarks. The balance 31% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 23.3% year-on-year to 63.89 billion Rupees in Q1 of 2025.

- Fee income increased by 13.4% year-on-year to 54.90 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 was 8.94 billion Rupees in this quarter compared to 2.91 billion Rupees in Q1 of last year. The year-on-year increase in dividend income was primarily due to dividend from ICICI Securities, ICICI Lombard General Insurance and ICICI Prudential Life Insurance in Q1 of this year compared to Q1 of last year.

On Costs: The Bank's operating expenses increased by 10.6% year-on-year in this quarter compared to 19.0% in FY2024. In Q4 of last year, the year-on-year increase was 12.9% adjusted for one-off in the previous year's base, as we had stated on the earnings call. Employee expenses increased by 12.5% year-on-year in this quarter, reflecting mainly the impact of annual increments and promotions that take place during the first quarter of every fiscal year. Non-employee expenses increased by 9.2% year-on-year in this quarter primarily due to retail business related and technology expenses. The technology expenses were about 9.3% of our operating expenses in this quarter. Our branch count has increased by 64 in the first quarter. We had 6,587 branches as of June 30, 2024.

The total provisions during the quarter were 13.32 billion Rupees, a year-on-year increase of 3.1% over the provisions of 12.92 billion rupees in Q1 of 2024. This includes the impact of release of AIF related provisions of 3.89 billion Rupees during the quarter, pursuant to clarity on the regulatory requirements.

The provisions during the quarter were 8.6% of core operating profit and 0.43% of average advances compared to 9.3% of core operating profit and 0.49% of average advances in Q1 of 2024. Adjusting for the AIF provision release and the seasonality of KCC provisioning which comes in only in Q1 and Q3, the credit cost to advances would be about 50 bps, which is the adjusted credit cost level we had spoken of in the earnings calls for the previous two quarters as well.

The provisioning coverage on NPAs was 79.7% as of June 30, 2024. In addition, we hold 8.63 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, 2024. At the end of June, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 234.03 billion Rupees or 1.9% of loans.

The profit before tax excluding treasury grew by 11.8% year-on-year to 140.80 billion Rupees in Q1 of this year.

Treasury gains increased to 6.13 billion Rupees in Q1 from 2.52 billion Rupees in Q1 of the previous year, primarily reflecting realised and mark-to-market gains in equities and security receipts.

As you are aware from the first quarter of this year, the revised investment guidelines have become applicable under which the mark-to-market gain on investments classified as fair value through P&L flows through the P&L, which was not getting recognized prior to the introduction of these guidelines, and hence, the future course of treasury gains will depend on these market movements.

The tax expense was 36.34 billion Rupees in this quarter compared to 31.99 billion Rupees in the corresponding quarter last year. The profit after tax grew by 14.6% year-on-year to 110.59 billion Rupees in this quarter.

Sandeep earlier talked about the capital adequacy position with a CET-1 ratio, including profits for Q1 of 2025, of 15.92%, Tier 1 ratio of 15.92% and total capital adequacy ratio of 16.63% at June 30, 2024. These ratios include the impact of increase in risk-weighted assets for operational risk, which is computed in first quarter of every fiscal year and also the impact of implementing revised investment guidelines from the beginning of this fiscal year.

Growth in digital offerings

We continue to enhance the use of technology in our operations to provide simplified solutions to customers. The Bank has launched an industry-first initiative 'SmartLock' that empowers customers to instantly lock/unlock the key banking services such as UPI, Debit Cards, Credit Cards, with just one click on iMobile Pay. About 71% of trade transactions were done digitally in Q1-2025. The volume of transactions done through Trade Online platform grew by 21.5% year-on-year in Q1-2025.

D. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 25 to 32 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 52.86 billion Rupees at June 30, 2024 compared to 55.28 billion Rupees at March 31, 2024. This portfolio was about 0.43% of our advances at June 30, 2024. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at June 30, 2024. At June 30, 2024, we held provisions of 8.49 billion Rupees on the BB and below portfolio compared to 9.03 billion Rupees at March 31, 2024. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 854.12 billion Rupees at June 30, 2024 compared to 770.68 billion Rupees at March 31, 2024. The total outstanding loans to NBFCs and HFCs were about 7.0% of our advances at June 30, 2024. During the current quarter, the increase in NBFC portfolio was primarily due to lending opportunities at better pricing to high rated borrowers and profitable opportunities in the bond market.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 521.30 billion Rupees at June 30, 2024 compared to 482.92 billion Rupees at March 31, 2024. The builder portfolio was about 4.3% 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 2.2% of the builder portfolio at June 30, 2024 was either rated BB and below internally or was classified as non-performing, compared to 2.7% at March 31, 2024.

E. Consolidated results

The consolidated profit after tax grew by 10.0% year-on-year to 116.96 billion Rupees in this quarter.

The details of the financial performance of subsidiaries and key associates are covered in slides 40 to 42 and 62 to 67 in the investor presentation.

The annualised premium equivalent of ICICI Life increased to 19.63 billion Rupees in Q1-2025 from 14.61 billion Rupees in Q1-2024. The value of new business increased to 4.72 billion Rupees in Q1-2025 from 4.38 billion Rupees in Q1-2024. The value of new business margin was 24.0% in Q1-2025 compared to 24.6% in fiscal 2024. The profit after tax of ICICI Life increased by 8.7% year-on-year to 2.25 billion Rupees in Q1-2025 compared to 2.07 billion Rupees in Q1-2024.

Gross Direct Premium Income of ICICI General was 76.88 billion Rupees in Q1-2025 compared to 63.87 billion Rupees in Q1-2024. The combined ratio stood at 102.3% in Q1-2025 compared to 103.8% in Q1-2024. The profit after tax was 5.80 billion Rupees in Q1-2025 compared to 3.90 billion Rupees in Q1-2024.

The profit after tax of ICICI AMC, as per Ind AS was 6.33 billion Rupees in this quarter compared to 4.74 billion Rupees in Q1 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 5.27 billion Rupees in this quarter compared to 2.71 billion Rupees in Q1 of last year.

ICICI Bank Canada had a profit after tax of 20.3 million Canadian dollars in this quarter compared to 16.4 million Canadian dollars in Q1 last year.

ICICI Bank UK had a profit after tax of 7.7 million US dollars in this quarter compared to 9.4 million US dollars in Q1 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.17 billion Rupees in the current quarter compared to 1.05 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:

We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama Institutional Equities. Please go ahead.

Mahrukh Adajania:

My first question is on deposit and loan growth. So, incrementally everyone is complaining about tight deposits, there are some rate hikes that have happened as well. So, are you still comfortable with, say, maybe targeting a loan growth of mid-to-high teens? And would you be comfortable increasing your LDR, since it's already lower than peers or would deposits continue to grow in line with loans?

Anindya Banerjee:

Mahrukh, we don't target any particular level of loan growth, but we have grown our deposits quite comfortably during the quarter at average deposit growth of 17% on an average basis and 15% plus on a period end basis. So, the deposit flows are quite healthy in terms of supporting the loan growth. As you said, the deposit rates continue to be tight, the wholesale deposit rates have not really come down during the first quarter as they usually do and of late there has been one or two hikes in the retail deposit rate also, although in one case it is at a longer tenor. So, we will have to see how the deposit market moves going ahead, but we don't feel that as a constraint in terms of the available lending opportunities. On the lending side also, I think there is a price competition the other way and we are seeing fair amount of competition particularly on the corporate side. So, we will keep calibrating both. As far as the LDR is concerned, I think this low-to-mid 80s is the level of domestic LDR that we have historically operated at and I don't see any big change in that, it may vary one quarter here up or down, but broadly it should be at that level. As far as both deposit growth and loan growth are concerned, of course, over the next couple of quarters, we will also have to take into account the implications of the revised guidelines on

LCR, the draft of which has come, which will have some impact on both deposit markets and loan markets. So, we will have to see that as we go along as well.

Mahrukh Adajania:

So, my other two questions, one is, if you have any rough calculation on LCR and can we assume that 90%, 95% of deposits would fall under the digitally-enabled tap? And the other question is just on retail recoveries, right. Do you see them slowdown in your customer segments because there's a lot of discussion on customer leverage in some segments or the other, so in your set of customers, do you see the retail recoveries flowing in as smoothly as you saw last year, how does it play out?

Anindya Banerjee:

On the first one, I think it's a fairly easy calculation to do because the LCR disclosures are public and at least I think all the analyst reports that we've seen as of yesterday for the major banks talk about between a 10 to 15 percentage point impact and I think that's a fair estimate.

On the recoveries, I think we have been saying for some time that the pace of recoveries will vary and may not continue at the same pace, because we were still collecting out of the pool of NPAs that got created in fiscal '21 and fiscal '22. So, that pace will come-off and therefore, the credit cost will also normalize upwards. But, as I mentioned earlier, finally, if we look at it, the credit costs are still at or below around 50 basis points and then NPL ratios, provisioning coverage are all fine. So, I think that's the way we would look at it.

Moderator:

Next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal:

I have two questions. First is on the cards portfolio. Like there in few other banks and NBFCs have reported acute stress in the segment and the system in general is seeing some rise in delinquencies. So, how do you see the asset quality outlook here? And if you can just also provide some color on the credit cost currently versus the long period average? Some qualitative color around that will also be helpful.

Anindya Banerjee:

As far as cards is concerned, it's less than 5% of our loan portfolio and whatever happens in the credit cost there has flowed into the overall numbers. I would say that we see it as a growth business and we are investing in growth in that business in terms of both products and distribution and our offerings. So, that's a business we would like to grow.

On the credit cost, if you're asking about on the overall basis, I think as I said, currently, we seem to be operating at about 50 bps. This, I would expect it to further normalise gradually, but what the long period average will be, in the kind of portfolio construct and the systemic construct that we have now, is difficult to say at this point, but I would say that it will be better than historical levels for sure.

Nitin Agarwal:

Also, this credit cost outlook on the cards, specifically like how do you compare versus long period average?

Anindya Banerjee:

We don't really call that out. As I said, it's about 5% of our book, but it is a book we would be very keen to grow.

Nitin Agarwal:

Other question is on the yield on advances, which has come down this quarter around eight basis points. So, how do you read, is it like that the yields have peaked out and will sustain around current levels?

Anindya Banerjee:

So, part of it would just be the impact of the non-accrual on the KCC portfolio, because it's a non-accrual of interest accrued over a slightly longer period. That could be one component and others there will be some small movements here and there, nothing really specific to call out. On lending rates per se, as I said, I think we continue to see a reasonable amount of competition, particularly on the corporate side.

Nitin Agarwal:

Just one clarification on the treasury gains also, which is a higher number this quarter versus the run rates that we have reported in the prior years. So, some details as to we are behind this game and how do we like see this moving?

Anindya Banerjee:

We would have made gains from our normal proprietary trading businesses which includes trade equities, fixed income and currency. We also had some gains on our security receipts portfolio, both realized gains because there were redemptions of the security receipts. The third component would largely be the mark-to-market on the fair value through P&L portfolio which earlier we had to only take the negatives MTM impact, now under the new guidelines on the AFS portfolio, the MTM impact either positive or negative flows to the AFS reserve, and on the fair value through P&L portfolio, whether positive or negative, it flows through to the P&L and in this quarter, it would have been a positive impact. So, those would be the three impacts. In the overall context, even at rupees 6 billion, the treasury profit number is a pretty small component of the P&L.

Moderator:

Next question is from the line of Manish Shukla from Axis Capital. Please go ahead.

Manish Shukla:

Just going back to the yield on loans question, QoQ I appreciate that, but even if you look at YoY the yields are 9.86 to 9.8. During this period, the share of retail, SME and business banking has gone up, which I believe is higher yielding business, MCLR rates would be higher, GNPA proportion is lower and yet the yield on advances have not gone up. What would explain that?

Anindya Banerjee:

I think the yield on advances really has been at a stable level over the last year. If you look at all the categories that you mentioned, there has been no real increase in market pricing which would have taken the yields up. In fact, if we look at for example, as you know, even on something like personal loans, the lending rates were at very low teens kind of lending rates, the mortgage market has been very competitive, as has been the corporate market. So, there was no real case for yields to go up. Also, on the SME and business banking side, I would guess most banks are operating at really the upper end of the quality spectrum. So, it's not in itself a high yield business in that sense. So, in that context, I think the yields are quite okay in terms of the yield movement report.

Manish Shukla:

Secondly, OPEX growth for the full year, how should we really think about it relative to either balance sheet growth or income growth and if you could talk about it separately in terms of employee and non-employee expenses?

Anindya Banerjee:

We don't give guidance on expenses or different components of expenses, but as you would have seen, the OPEX growth has been coming down over the quarters and the adjusted growth for Q4 was also between 12% and 13%, this quarter it is 10%-odd. So, I would expect that should be a fair indicator. I don't think that there is anything that should take it up materially in our business as usual sense.

Moderator:
Next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka:
Three questions. One is in cards and PL. Do you think any additional tightening is needed or the current QoQ growth rates allow you to filter out enough risk and this kind of QoQ trend can continue?

Anindya Banerjee:
I don't think we are looking at really any material tightening. I mean there is minor tweaking and refinement that we keep doing. On PL, we had taken a number of actions last year and I think the growth rate has come off; if you look at the year-on-year growth, it has come from 40% to 24% and I am guessing by the time we end this year it will be closer to 20% kind of number or lower. So, I don't think there is anything much to be done. Cards, it's an ongoing refinement, but as I said there we want to grow the business. So, to answer your question, I don't think anything needed.

Abhishek Murarka:
Second question is on corporate loans. Now, we have seen two banks growing corporate loans on a QoQ basis this quarter. Is it because there is now some bit of asset quality stress in the retail side and therefore moving to this side or there are better opportunities in this space, how do we read this and what's happening in that space, if you could give an update?

Anindya Banerjee:
It is nothing to do with the asset quality on the retail side. I think it really depends on what opportunities come at any point in time and what is the pricing available.

So, if you look at, we've spoken of in this quarter also, we saw a growth in the NBFC portfolio and a growth in the real estate portfolio and some of this, of course is at decent pricing and as well as well within our risk/reward thresholds. For a couple of quarters, our NBFC portfolio have gone down because of some prepayments, etc., So, that has not happened this quarter. So, I think if you look at for the last several quarters, our corporate book has grown at around 10%, it could be 8% to 9% in one quarter, it could be 11% to 12% in another and that is a pretty steady pace, no change in approach. Going forward, I think what we are currently seeing again is a fair amount of competitive intensity in that space. So, we will have to calibrate.

Abhishek Murarka:
And just quickly on LCR. So, just as an approach, now, do you need to maintain 20%, 25% additional LCR over 100 on an ongoing basis or once you're reserving higher and anyway it is more stringent, you don't need to maintain that much surplus and that can be how you offset the impact of this new circular?

Anindya Banerjee:
I think we have to think all that through and I guess look at refining both the asset and liability side of the balance sheet. But we will have to think that, not something we can respond as of now.

Moderator:
Next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer:
Just sort of getting back to some of the questions that were asked earlier on yield. Now, I'd be interested in your thoughts as to borrower demand has been strong for the last two years, the raw material cost for banks is going up, yet, not just you, but none of your peers have been able to pass it on to the borrowers. Why

do you think that's the case really? Or, is it that because there is growth, you are sacrificing NIMs?

Anindya Banerjee:

No, it would not be correct to say that it has not been passed on at all. So, I think if you look at, for example, products even although it has been very competitive, but products like home loans, auto loans or a number of asset classes, yields have gone up between certainly FY'22, '23, that is not going up any further now. On the corporate side, I think in two markets I would say corporate and mortgages there is episodes of competitive intensity because I think different banks may have different motivations at various points of times.

Piran Engineer:

Is it also the case that within each product, the customer selection is getting better, just getting to like Manish's question that the product mix is changing, but then in each product you're getting to better types of customers. So, the effective yield does not change. Is that what has happened?

Anindya Banerjee:

So, I would say that for the quality customers, the banks are quite competitive in terms of yield. And I think broadly, banks are focused on the prime, I would say more prime end of the spectrum.

Moderator:

Next question is from the line of Param Subramanian from Nomura. Please go ahead.

Param Subramanian:

Could you explain the quarter-on-quarter movement in net worth because it's up 15,600 crores whereas the profit for the quarter is 11,000 crores. So, is there something that I'm missing?

Anindya Banerjee:

Yes, the revised investment guidelines became applicable in the quarter and as we have disclosed in our stock exchange release, we recognized an AFS reserve plus retained earnings of about rupees 32 billion net of deferred tax and that the AFS reserve would have increased a little bit further based on market movements between April and June. So, that would be the main component. In addition, some amount of capital and reserves gets added every quarter due to stock option exercises, but that's a smaller number.

Moderator:

Next question is from the line of Kaitav Shah from Anand Rathi Financial Service.

Kaitav Shah:

Thank you. All my questions have been answered. Thank you.

Anindya Banerjee:

Thank you.

Moderator:

Next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

So, firstly, maybe if you can quantify the impact of the penal charges...

Moderator:

Kunal, sorry to interrupt you. Can you speak through the handset please?

Kunal Shah:

If you can just quantify the impact of penal charges circular which has come through, that would be helpful? And secondly, maybe with respect to recoveries, maybe if corporate recoveries are anticipated to be relatively lower, should we see the faster normalization we had seen in one of the peer banks that impacting the credit cost immediately in one single quarter? Do we expect such kind of volatility or maybe for us as you mentioned it should be gradual inch-up or maybe gradual normalization, which will come through in the quarters?

Anindya Banerjee:
On the penal charges circular, we have not really put out any number. So, that's not something I can share. On the recoveries part, I would just say that overall, our credit costs have been quite steady, even in the last couple of quarters where for various reasons the reported numbers were pretty low, we had kind of said that the adjusted cost for the quarter would be around 50 bps and that is where it is. There will always be some ups and downs in terms of additions, recoveries, etc., but that's okay, but not something that we would want to specifically comment on.

Kunal Shah:
And lastly, as you also indicated in terms of the retail, couple of players have hiked by almost like 20-odd basis points, how would we take a call, maybe are we looking to be equally competitive and increase the interest rates and even in terms of the branch expansion and changes compared to what you have earlier articulated in terms of the plan on an annual basis?

Anindya Banerjee:
On the rates, we will take a view. These are dynamic markets, so, as we go along, we will take a view and based on both the sort of our target, our kind of desired level of mobilization as also the maturity bucket in which works for us. On the branch, no change as such.

Moderator: Ladies and gentlemen, we will take that as the last question. I'll now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you all for taking time out on a Saturday as always. And if any other clarifications are required, please reach out. Thank you.

Moderator:

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