January 25, 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 and nine months ended December 31, 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/article/interaction-with-media-icici-bank-financial-performance-in-the-quarter-ended-december-2023
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
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Vivek Ranjan
Assistant General Manager

Encl.: as above

Copy to-
(i) New York Stock Exchange (NYSE)
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ICICI Bank Limited Media conference call for quarter ended December 31, 2023 on January 20, 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 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:

Good evening everyone. Joining me today for this call is our Group CFO Anindya. Thank you all for joining us today.

The Indian economy continues to remain resilient with upward revision in the GDP growth estimate for FY2024 by RBI, reflecting the consistent actions and initiatives of the policymakers. The underlying momentum is visible with pick-up in consumption driven by the festive season, healthy growth in investment demand due to the government-led capex cycle and real estate buoyancy. India's foreign exchange reserves and current account balance are well supported by higher FPI inflows, services exports and remittances. As the liquidity and interest rate environment evolves, we would continue to monitor the developments closely.

At ICICI Bank, our strategic focus continues to be on growing our core operating profit less provisions, i.e., 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. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are our focus areas for risk calibrated profitable growth.

Our Board has today approved the financial results of ICICI Bank for the quarter ended December 31, 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, grew by 23.4% year-on-year to ₹ 13,551 crore in Q3-2024
2. Core operating profit grew by 10.3% year-on-year to 14,601 crore in Q3-2024; excluding dividend income from subsidiaries / associates, core operating profit grew by 9.7% year-on-year in Q3-2024
3. Net interest income increased by 13.4% year-on-year to ₹ 18,678 crore in Q3-2024
4. The net interest margin was 4.43% in Q3-2024 compared to 4.53% in Q2-2024 and 4.65% in Q3-2023. Net interest margin was 4.57% in 9M-2024.
5. Fee income grew by 19.4% year-on-year to ₹ 5,313 crore in Q3-2024

6. Provisions (excluding provision for tax) were ₹ 1,050 crore in Q3-2024; this includes ₹ 627 crore on investments in AIF as per recent RBI circular
7. The profit after tax grew by 23.6% year-on-year to ₹ 10,272 crore in Q3-2024
8. The consolidated profit after tax grew by 25.7% year-on-year to ₹ 11,053 crore in Q3-2024
9. The standalone RoE was 18.5% in Q3-2024
10. At December 31, 2023, the Bank had a net worth over ₹ 2.3 lakh crore. Including profits for 9M-2024, CET-1 ratio was 16.03% and total capital adequacy ratio was 16.70%

Moving on to deposit growth.

B. Deposit growth

1. Total period-end deposits increased by 18.7% year-on-year to ₹ 13,32,315 crore at December 31, 2023
2. Period-end term deposits increased by 31.2% year-on-year to ₹ 8,04,320 crore at December 31, 2023
3. Average current account deposits increased by 11.6% year-on-year
4. Average savings account deposits increased by 2.8% year-on-year
5. The Bank opened 123 branches during Q3-2024, 653 branches in the last 12 months and had a network of 6,371 branches and 17,037 ATMs and cash recycling machines at December 31, 2023
6. The Bank had about 141,000 employees at December 31, 2023

Moving on to loan growth.

C. Loan growth

1. The domestic loan portfolio grew by 18.8% year-on-year and 3.8% sequentially at December 31, 2023
2. The retail loan portfolio grew by 21.4% year-on-year and 4.5% sequentially. Including non-fund outstanding, the retail loan portfolio was 46.4% of the total portfolio. The business banking portfolio grew by 31.9% year-on-year and 6.5% sequentially. The SME business, comprising borrowers with a turnover of less than ₹ 250 crore, grew by 27.5% year-on-year and 6.7% sequentially. The rural

portfolio grew by 18.2% year-on-year and 4.6% sequentially. Growth in the domestic corporate portfolio was 13.3% year-on-year and 2.9% sequentially at December 31, 2023

3. 69.8% of the total loan portfolio, excluding, retail and rural, was rated A- and above at December 31, 2023

Moving on to our Digital initiatives

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-December 2023.
3. The value of the Bank's merchant acquiring transactions through UPI grew by 85.0% year-on-year and 20.7% sequentially in Q3-2024. The Bank had a market share of about 28.8% by value in electronic toll collections through FASTag in Q3-2024, with a 11.9% 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 platform allow customers to perform most of their trade finance and foreign exchange transactions digitally. The Bank's digital solutions integrate the import transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. About 72% of trade transactions were done digitally in Q3-2024. The volume of transactions done through Trade Online platform in Q3-2024 grew by 26.2% year-on-year.

5. We have further simplified cross-border remittance journeys with new enhancements. SmartIRM, is a multi-party cross-border inward remittance solution with virtual account architecture, enhanced security features and remittances reconciliation with payer identification. SmartORM enables pre-vetting of outward remittance transactions to ensure error-free submission before booking foreign exchange deals.

6. iLens, the retail lending platform currently enable for the mortgage, is being upgraded on an ongoing basis with new features such as integration with account aggregators, opening of instant paperless saving bank account for newly on-boarded mortgage customers and instant property valuation reports for select developers to provide enhanced customer experience and to serve the customer's 360 degree needs digitally.

Moving on to Asset Quality.

E. Asset Quality

1. The net NPA ratio was 0.44% at December 31, 2023, compared to 0.43% at September 30, 2023 and 0.55% at December 31, 2022
2. During Q3-2024, the net addition to gross NPAs, excluding write-offs and sale, were of ₹ 363 crore
3. The gross NPA additions were ₹ 5,714 crore in Q3-2024. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 5,351 crore in Q3-2024
4. The gross NPAs written off were ₹ 1,389 crore in Q3-2024
5. There was sale of NPAs worth ₹ 36 crore in the current quarter.
6. The provisioning coverage ratio on NPAs was 80.7% at December 31, 2023
7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹ 3,318 crore or 0.3% of total advances at December 31, 2023 from ₹ 3,536 crore at September 30, 2023. The Bank holds provisions amounting to ₹ 1,032 crore against these borrowers under resolution, as of December 31, 2023
8. The loan and non-fund based outstanding to performing borrowers rated BB and below was ₹ 5,853 crore at December 31, 2023 compared to ₹ 4,789 crore at September 30, 2023
9. The total provisions during the quarter were ₹ 1,050 crore, or 7.2% of core operating profit and 0.36% of average advances. The Bank continues to hold contingency provisions of ₹ 13,100 crore at December 31, 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 opening remarks. I will be happy to take your questions.

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 questions 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 Ritu Singh from CNBC-TV18. Please go ahead.

Ritu Singh:

Good evening, Mr. Batra. A couple of questions. Your CASA ratio at about 39.4% in the quarter and your deposits growing by less than 3% sequentially. We've been hearing from your peer banks about the kind of difficulties they are facing in garnering deposits because customers are looking for higher yielding assets. What is your sense and if you see any problems in those funds, what your plans are to increase the CASA share as well?

Your CD ratio also is at 86% and there have been reports that the regulator is uncomfortable with a high level of cost not being the fund. I was wondering if there was any communication from the regulator on this front. If you're looking to reduce this? And, if I may add a question on the NPA additions have been higher in the quarter. Where were the additional NPAs from? Thank you.

Sandeep Batra:

Thank you, Ritu. Lots of questions. Well, in the period in CASA the deposit growth for the banking system has increased by 13-odd-percent as of December 2023 and about 9.2% year-on-year compared to December 2022. The Q3 2024 total period and deposits for the bank grew by 18.7% and 2.9% sequentially. I think, if you look at the whole thing in totality, the period in CASA increased by 3.8% year-on-year and 0.1% sequentially.

As far as we are concerned, we are focusing on average CASA, which has increased by 5.3% year-on-year and about 0.2% sequentially. We continue to see strong traction and momentum in retail term deposits, resulting in a healthy growth in term deposits by 31.2% year-on-year. Yes, as far as CASA growth is concerned, lower growth is a trend across banks. We would have to wait and see how CASA spans over the next year as we expect easing of monetary policy.

Coming to your questions on CD ratio. First of all, I think you have to look at CD ratio in the overall context, there are multiple liquidity ratios, as you are aware. There is CD ratio, there is LCR, there is net stable funding ratio, and they measure slightly different things, but they are broadly in line to ensure long-term liquidity as far as banks are concerned. Currently, both LCR and NSFR ratios for the standalone bank and on a consolidated basis are well above the minimum regulatory requirements.

As far as CD ratio is concerned, the level of equity also has a direct bearing on the ratio. Any bank with a relatively high level of equity will have a higher CD ratio. From our perspective, we manage international CD ratios and liquidity for international and domestic operations specifically. So, I'll focus my comments on the domestic side. We have been mobilising retail deposits and that is the primary source of funding.

And as I did talk about, retail deposits grew healthy for us during the quarter. We are also mobilising wholesale liabilities, which includes infra bonds, refinance from SIDBI, NABARD, etc. Our CD ratio on domestic operations are generally stable, except during volatile periods like COVID, and ranges in the mid-80s. We are very comfortable at this point of time with the CD ratio that we have. So, moving on to, what was your question on?

Ritu Singh:

The NPA addition, and you know you didn't really outline how you're looking to increase your deposit base from here on, apart from expectations of liquidity easing in the coming months.

Sandeep Batra:

Ritu, we don't give outlooks, but I think we continue to operate within a risk calibrated framework, which we have been saying. And we like to have a 360 degree approach for our customer perspective. Yes, deposits is an important part of it. We look at deposits in totality and cost of funds in totality. And we are sort of comfortable the way we are approaching the overall business.

Anindya Banerjee:

Maybe just to add, our deposit growth and loan growth have been quite balanced. And we don't see any challenge in funding this level of loan growth. So, we don't see any constraints as such on the ability to garner deposits. The lower CASA growth is a kind of a systemic feature at this point in time. And as Sandeep said, we would have to see how that plays out.

Sandeep Batra:

The net addition to gross NPAs, excluding write-offs, are about ₹ 3.63 billion for Q3 compared to ₹ 1.16 billion. The increase is primarily in account of seasonal NPAs in Kisan Credit Card portfolio and normalisation of net NPAs in the retail portfolio. This is very much in expected lines. From our perspective, we look at all the seven levers to determine profitability.
Credit cost, loans and credit cost PPP are adjusted for chunky recoveries and one-off items, like AIF. As I did mention in my call, we have made provisions for AIF in line with RBI guidelines of about ₹ 627 crore.

Ritu Singh:

Sorry, I didn't catch that. Because of what seasonality?

Sandeep Batra:

As you are aware, the rural business is cyclical. And there are peaks in the December quarter. So, their increase is primarily in account of seasonal NPA additions in the Kisan

Credit Card portfolio and some amount of normalisation of NPAs on the retail side. Overall, I think if you will see the overall NPA numbers, they are very comfortable.

Ritu Singh:

Thank you.

Moderator:

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

Vishwanath Nair:

Hi, Mr. Batra. A couple of questions. First, on the capital adequacy ratio, about 146 basis points dipped on a quarter-on-quarter basis. What is the reason behind that? And where is the ₹ 627 crore AIF provision showing up? Is it getting marked because you would have probably written back some provisions? Is that how we should understand this?

Sandeep Batra:

No, the ₹ 627 crore is the result of what RBI prescribed us for this quarter, and I think it aligns with that.

Vishwanath Nair:

My question is on the P&L, where does it show up?

Sandeep Batra:

It shows up in the provisions.

Anindya Banerjee:

Our total provisions are about ₹ 10.5 billion. This includes that.

Vishwanath Nair:

Would you have written back any provisions during the quarter is my primary question?

Because the number looks very small in comparison year-on-year. So if one item has taken ₹ 627 crore.

Anindya Banerjee:

We would have had recoveries and write-backs as well. Last year, as you know, we had made some contingency provisions and we had also tightened some of our provisioning policies. So this factors in some write-backs. But the benefit of those write-backs is substantially offset by the AIF provision.

Vishwanath Nair:

Okay. And on the capital adequacy, sir?

Sandeep Batra:

The capital adequacy is, I mean there is a marginal dip, which is not the number that you talked about. We have a capital adequacy of 16.03%. And that includes profits for the 9M. Against the 16.7%. As you are aware, RBI changed the norms relating to certain segments of our assets. And this sort of largely reflects that.

Vishwanath Nair:

Okay. But even if you were to look at the nine months, I think there's a dip? Because I'm looking at the P&L, the table that you've given. It says 14.61% versus 16.26% on a quarter-on-quarter basis.

Sandeep Batra:

That one doesn't. I think the numbers that you're talking doesn't include the cumulative profit for the year, which can be done only at the end of the year. But effectively, if I include the profits for this period, the number is 16.03%.

Vishwanath Nair:

Okay. And would you have taken any hit due to the change in risk rate by the regulator?

Sandeep Batra:

I did mention the fact that there has been a drop during the quarter from 16.7% to 16.43% is largely because of the change in risk rates.

Vishwanath Nair:

So roughly 60 basis points is the hit you would have taken there?

Sandeep Batra:

About 70 basis points, yes.

Vishwanath Nair:

Got it. Okay. Thank you.

Moderator:

Thank you. The next question is from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe:

Sir, what is the overall investment in AIF? Because has it been fully provided for or how is it? Because there's certain categories where you need to provide it.

Anindya Banerjee:

Yes, so we would have provided most of it because most of the investment would have fallen within those criteria. Maybe some very small amount which is un-provided.

Ashish Agashe:

And sir, will you continue with the AIF investment even after this move? Or how is it? Or would you probably hit a pit pause? What's your outlook on this side of the business?

Sandeep Batra:

This was a very small portion of our overall portfolio. We will make an assessment. At this point of time, we have pretty much provided for in line with what RBI has required us to do.

Ashish Agashe:

Okay, sir. And sir, second question. The double B and below exposure has gone up during this quarter. So, I think ₹ 5,800 crore I guess you mentioned. So, like, what's causing that? Or is it some business calls being taken? How should we look at it, sir?

Anindya Banerjee:

So, meetings are periodically reviewed independently by our risk management team. And based on their view on the asset, they upgrade or downgrade. I think overall, even after this increase, the portfolio in relation to our total book is very small. It is less than half a percent of the portfolio. So, that much variation would happen every now and then as the rating exercises are periodically done.

Ashish Agashe:

Okay, so it's a fresh exposure taken for a lower rated?

Anindya Banerjee:

No, it was an existing exposure. The internal rating got downgraded.

Ashish Agashe:

Okay, sir. Okay, thank you so much.

Moderator:

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

Sachin Kumar:

The bank's deposit, they have grown sequentially 2.9%.

Moderator:

Sorry to interrupt you. Can I request to speak through the handset?

Sachin Kumar:

Yes. Am I audible now?

Moderator:

Yes. Go ahead.

Sachin Kumar:

Yes. So, bank's deposits, they have grown sequentially 2.9%. So, going forward, do you see some sort of moderation or do you expect it to grow more than this?

Sandeep Batra:

We will take, we have to grow in line with, I mean, in a pretty efficient fashion. As far as we are concerned, we are trying to improve our journeys from a customer point of view. We will be focused on increasing our deposit, both from a CASA and a retail deposit point of view. As far as we are concerned, as the numbers really talk about, our retail term deposit grew by a healthy, over 30% during this period.
We will see how it goes along. Of course, as we expect some easing of monetary policy during the course of the year, we will see how that spans about. It's just a function of the environment at this point of time. So, at this point of time, we are comfortable with the deposits that we are able to raise and that's adequate to fund our assets.

Sachin Kumar:

Okay. And what is your expectation in terms of, growth in advances in the next quarters? Are you seeing some growth, strong growth for advances?

Sandeep Batra:

I think we do not give any forward-looking guidance and we are really focused on assessing risk and reward in every transaction. We operate within our risk tolerance. If there are opportunities across segments, we are happy to go there. At this point of time, the Indian economy seems to be doing well and whatever falls within our risk-calibrated approach, we will be happy to grow the business.

Sachin Kumar:

Yes. Your NIMs have contracted. So, how do you see that?

Sandeep Batra:

So, NIMs have contracted in line with what we have sort of forecasted. The sequential decline, as we have mentioned in the previous calls, just reflects the lagged impact of increase in term deposits over the last year on the cost of deposits. Overall, the NIM was in line with our expectations. For the year, we had said and we still maintain that the full-year NIM is broadly going to be at the same level as FY 2023.

Sachin Kumar:

And, you see a pressure on NIM just because of the rising cost in deposits. Is this the case? What's the reason?

Sandeep Batra:

I did mention the decline in NIM reflects the lagged impact of increase in term deposit rates over the last one year. And that's what reflects in the cost of deposits. During the course of the year, we do expect that the FY 2024 NIMs will be at the same level as FY 2023.

Moderator:

Hi, Sachin. I'm afraid that we will not be able to take more than two questions at a time. Please re-join the queue if you have further queries. Thank you.
The next question is from the line of Abhijit Lele from Business Standard. Please go ahead.

Abhijit Lele:

Good afternoon. Could you throw some light on what has been the income from the treasury and comparison? Because we have seen a certain hardening also during this third quarter?

Sandeep Batra:

We had a treasury gain of about ₹ 123 crore. Compared to a loss of about ₹ 85 crore in the Q2. This was primarily due to a decrease in G-Sec yields. The treasury loss in the last quarter was primarily due to an increase in G-Sec yields. So this is in the normal course of business. And of course, during this quarter, we had some small equity gains as well.

Abhijit Lele:

Okay. The second query is about RBI change risk rates on the unsecured credit portfolio. Has there been a change in some policy of the way you have grown and how you will do that? That's the first question. And second is on what has been the growth or approach for the funding to the NBFCs? Because that's where also there has been increase in the risk rates.

Sandeep Batra:

I did mention earlier that the CET ratio has come down during the quarter from 16.7% to about 16.03%. It's very well capitalised. This is largely an impact of the change in risk rates, which were prescribed by RBI. We have clearly implemented that. From NBFCs point of view, our outstanding to NBFCs has decreased from about ₹ 79,900 crore in the last quarter to about ₹ 74,000 crore in the current quarter.
Primarily due to repayments of certain public sector entities during the quarter. We have looked at our NBFC portfolio in terms of credit quality. And, we are very comfortable with the quality of the book that we have built.

Abhijit Lele:

My question on the unsecured credit was not on the capital adequacy ratio. I'm saying the approach. Is there a change in approach that is reflecting the height, which RBI is sounding to grow or sober it down? What is your stance? Is there a change in that stance? That was my query.

Sandeep Batra:

Oh, sorry. I missed that. We have built our portfolio on core principles of return of capital and harnessing our complete ecosystems. We do take a note what RBI has commented on this and, we have assessed our portfolio. We keep on refining our credit parameters and optimising sourcing costs, which has resulted in a little bit of a lower disbursements during the quarter as compared to the previous quarter.

During this period, the PL portfolio sequentially grew by about 37% as compared to 40% year-on-year and, about 6.4% sequentially during this quarter as opposed to 10.2%. You're right. There is a little bit of a moderation in the growth, which has been happening. But we are comfortable with the quality of book that we have built.

And I just want to repeat that the portfolio that we have built, we continue to track the portfolio. It's within our defined limits. We look at CIBIL scores. We look at our internal assessments and, based on this, we grant loans. And largely it is based on the profile of the customers. We look at customers on a complete 360 basis.

Abhijit Lele:

Okay. I'm through with my queries. Thank you.

Moderator:

Thank you. We'll take the next question from the line of Joel Rebello from Economic Times. Please go ahead.

Joel Rebello:

Sir, it will help if you give us an overview of what is the Bank's AIF investments. I know the provision that you'll made, you'll said that it is mostly for us. Just give us a perspective on how much it is. What is the outstanding right now?

Sandeep Batra:

No, we have pretty much provided the entire amount. I mean, the outstanding is about ₹ 627 crore.

Joel Rebello:

Okay.

Sandeep Batra:

And we have made a provision of a very similar amount.

Joel Rebello:

Okay, sir. Thank you.

Sandeep Batra:

Thank you.

Moderator:

Thank you. We have our next question from the line of Preeti Singh from Bloomberg. Please go ahead.

Preeti Singh:

Thank you. Sir, I just wanted to know, your results are fantastic. But what do you see as a really big challenge in the next few quarters?

Sandeep Batra:

Thank you, Preeti. We will continue to focus on our approach. Our approach has been consistent over the last five years. From a customer point of view, we have this principle called 'Fair to Customer, Fair to Bank'. We will continue to focus on that. We would like to be the most trusted financial provider for our customers. From a risk point of view, I think India seems to be well-positioned. The GDP numbers have sort of increased after the latest forecast that has come out. We will continue to look at opportunities across all segments, whether it is corporate, retail, SMEs, business banking and rural. There are opportunities across. On a risk-calibrated basis, we will continue to serve our customers on a 360 basis.

Preeti Singh:

Sir, I wanted to check one of my last questions, really, is around cybersecurity. Is that something, have you seen an uptick in financial fraud, or sort of how are you thinking about it, even as more and more people go digital?

Sandeep Batra:

I think it's an important area to focus on. As a bank, the safety and security of our customers is of paramount importance. We continue to strengthen our cybersecurity framework. And, of course, it's important to never let your guards down as far as this is concerned.

Preeti Singh:

Okay, thank you.

Moderator:

Thank you. The next question is from the line of Falaknaaz Syed from Deccan Chronicle. Please go ahead.

Falaknaaz Syed:

Sir hi, I wanted to know if there will be a slowdown in the unsecured book, given the regulations that have come. And secondly, can you give a breakup of how the retail book has grown, especially home loans?

Sandeep Batra:

Look, Falak, I mean, we continuously keep on assessing the risk of our customers, and I did mention, we did some typing of our portfolio, continuous exercise, and since RBI specifically flagged it out, we did a, we have done a more of a specific assessment of the segment that we really want to operate in.

As you can see, there has been some moderation, which has happened in the growth of the personal loan. As far as the overall retail book is concerned, the overall retail loans grew by about 21%. Mortgages constitute about 60% of the retail books. Vehicle loans, which is both auto, two-wheelers, and commercials, comprised of about 14%. Personal loans is 17%. Credit cards is about 7.5%, and there is a small amount of 2.5% in other categories. So that is broadly the composition of our retail portfolio of about ₹ 6.4 lakh.

Falaknaaz Syed:

But how have mortgages grown?

Sandeep Batra:

The mortgages have grown by about 15.9%, Falak.

Falaknaaz Syed:

And vehicle loans?

Sandeep Batra:

Vehicle loans have grown by 19.6%.

Falaknaaz Syed:

And personal loans around 3%? What is the number?

Sandeep Batra:

I said 37%.

Falaknaaz Syed:

Personal loans have grown by 37%.

Sandeep Batra:

Year-on-year, yes.

Falaknaaz Syed:

Year-on-year. Okay, sir. Thank you.

Moderator:

Thank you. We'll take the next question from the line of Jinit Parmar from Moneycontrol. Please go ahead.

Harsh Kumar:

Yes, Harsh Kumar, this side from Moneycontrol. Hi, sir. So I have a couple of questions. One is in terms of recovery part, sir, how much you are expecting in next Q? And in the line of the expansion plan, so is ICICI Bank planning to spread its footprints in Ayodhya?

Sandeep Batra:

We already have a branch in Ayodhya.

Sujit Ganguli:

More than one branch.

Sandeep Batra:

So I'll give you the exact numbers separately, but we do certainly have one branch over there. On NPA's outlook, we do not really give a forecast on any financial dimension. We will continue with our overall strategy and do expect things to pan out well.

Moderator:

Harsh, do you have any follow-up question?

Harsh Kumar:

No, thank you.

Moderator:

Thank you. The next question is from the line of Richard Fargose from The Informist. Please go ahead.

Richard Fargose:

Sir, thank you for giving me an opportunity. Sir, your AIF investment, you have provided ₹ 6.27 billion this quarter. So you got hardly any time to liquidate it because RBI's outlook came on December 19. So this quarter, will you consider liquidating it and reversing the re-provisions in the P&L? Or will you carry forward to the next fiscal also?

Sandeep Batra:

Richard, from an economic point of view, this is more an accounting entry we have to provide. And we have pretty much provided the entire amount of our investments in AIF. Economically, it doesn't really matter too much. It should give us returns over a period of time. If there are opportunities at various points of time, we will consider liquidating it. I think we have made reasonably good investments and we do expect to give them returns over a period of time. AIF, as you are aware, is over a longer period. And it is a pretty small portion of our overall book.

Richard Fargose:

So you're not hurried to exit it?

Sandeep Batra:

Not at all. Whenever we are taking decisions, we will largely look at economic benefits for our shareholders and not necessarily accounting benefits.

Richard Fargose:

Okay, thank you. Thank you, sir.

Moderator:

Thank you. The next question is from Anshika Kayastha from the Hindu Business Line. Please go ahead.

Anshika Kayastha:

Hi, sir. Good evening. Sir, you mentioned opportunities in the wholesale and corporate banking portfolio. Last quarter, you mentioned that capex is largely being led by PSUs and is limited to certain pockets and sectors. Have you seen any improvements in this scenario and which segments are you seeing opportunities in, especially in light of the revision in GDPS?

Sandeep Batra:

Sorry, the revision in?

Anshika Kayastha:

GDPS.

Sandeep Batra:

I'm sorry, I didn't get that. Our focus continues to be growing the portfolio within our risk and return threshold while considering the opportunities at the overall corporate ecosystem. As I have mentioned earlier as well, we will continue to follow our 360-degree approach with an objective to cater to the entire banking and financial needs of our customers and the ecosystem.

It is a fairly balanced risk and reward framework. Since you mentioned wholesale, we are seeing some amount of growth there. As you are aware, the current capex has largely been led by government and PSUs, and we do expect the private capex to be coming up in the due course. We continue to maintain active dialogues with all corporate customers, and wherever we see opportunities within our overall framework, we are happy to lend.

Anshika Kayastha:

Okay. Thank you.

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.

Sandeep Batra:

Thank you. Thank you, everyone.

Moderator:

Thank you.

Analyst call on January 20, 2024: Opening Remarks

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 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

Ladies and gentlemen, good day and welcome to the ICICI Bank Q3 FY2024 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 touch-tone 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, sir.

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 Q3 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

The Indian economy continues to remain resilient with upward revision in the GDP growth estimate for FY2024 by RBI, reflecting the consistent actions and initiatives of the policymakers. As the liquidity and interest rate environment evolves, we would continue to monitor the developments closely.

At ICICI Bank, our strategic focus continues to be on growing our core operating profit less provisions, i.e., 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. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are our focus areas for risk calibrated profitable growth.

The profit before tax excluding treasury grew by 23.4% year-on-year to 135.51 billion Rupees in this quarter. The core operating profit increased by 10.3% year-on-year to 146.01 billion Rupees in this quarter. The profit after tax grew by 23.6% year-on-year to 102.72 billion Rupees in this quarter.

Total deposits grew by 18.7% year-on-year and 2.9% sequentially at December 31, 2023. Term deposits increased by 31.2% year-on-year and 4.9% sequentially at December 31, 2023. During the quarter, the average current and savings account deposits grew by 5.3% year-on-year and 0.2% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 121%.

The domestic loan portfolio grew by 18.8% year-on-year and 3.8% sequentially at December 31, 2023. The retail loan portfolio grew by 21.4% year-on-year and 4.5% sequentially. Including non-fund based outstanding, the retail portfolio was 46.4% of the total portfolio. The business banking portfolio grew by 31.9% year-on-year and 6.5% sequentially. The SME portfolio grew by 27.5% year-on-year and 6.7% sequentially. The rural portfolio grew by 18.2% year-on-year and 4.6% sequentially. The domestic corporate portfolio grew by 13.3% year-on-year and 2.9% sequentially driven by growth across well-rated financial and non-financial corporates. The overall loan portfolio including the international branches portfolio grew by 18.5% year-on-year and 3.9% sequentially at December 31, 2023.

We continue to enhance our digital offerings and platforms to onboard new customers in a seamless manner, provide them end-to-end journeys and 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 0.44% at December 31, 2023 compared to 0.43% at September 30, 2023 and 0.55% at December 31, 2022. During the quarter, there were net additions of 3.63 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 10.50 billion Rupees or 7.2% of core operating profit and 0.36% of average advances. The provisioning coverage ratio on NPAs was 80.7% at December 31, 2023. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.1% of total loans at December 31, 2023.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.03%, Tier 1 ratio of 16.03% and total capital adequacy ratio of 16.70% at December 31, 2023, including profits for the nine months ended December 31, 2023. This includes the impact of recent regulatory guidelines on increasing the risk weights on consumer loans and credit to NBFCs.

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, process improvements 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 15.9% year-on-year and 3.7% sequentially. Auto loans grew by 22.5% year-on-year and 4.5% sequentially. The commercial vehicles and equipment portfolio grew by 14.8% year-on-year and 3.3% sequentially. Personal loans grew by 37.3% year-on-year and 6.4% sequentially compared to 40.4% year-on-year and 10.2% sequentially at September 30, 2023. The Bank worked on increasing pricing, further refining credit parameters and optimising sourcing costs resulting in lower disbursements of personal loans during the quarter as compared to the previous quarter. The credit card portfolio grew by 39.5% year-on-year and 11.5% sequentially. The personal loans and credit card portfolio were 9.4% and 4.1% of the overall loan book respectively at December 31, 2023.

The overseas loan portfolio, in US dollar terms, increased by 9.8% year-on-year at December 31, 2023. The overseas loan portfolio was about 3.4% of the overall loan book at December 31, 2023. The non-India linked corporate portfolio declined by 30.4% or about 116 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 92% comprises Indian corporates, 4% 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 3.63 billion Rupees to gross NPAs in the current quarter compared to 1.16 billion Rupees in the previous quarter. The net additions to gross NPAs were 23.02 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 19.39 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 57.14 billion Rupees in the current quarter compared to 46.87 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 53.51 billion Rupees in the current quarter compared to 45.71 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 54.82 billion Rupees in the current quarter compared to 43.64 billion Rupees in the previous quarter. There were gross NPA additions of about 6.17 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 31.80 billion Rupees compared to 30.19 billion Rupees in the previous quarter. The gross NPA additions from the corporate and SME portfolio were 2.32 billion Rupees compared to 3.23 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 21.71 billion Rupees compared to 15.52 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 13.89 billion Rupees. There was sale of NPAs worth 0.36 billion rupees in the current quarter compared to 1.79 billion rupees in the previous quarter. The sale of NPAs includes about 0.29 billion rupees in cash and about 0.07 billion rupees of security receipts. As these NPAs were fully provided, we continue to hold provisions against the security receipts.

The non-fund based outstanding to borrowers classified as non-performing was 36.94 billion Rupees as of December 31, 2023 compared to 38.86 billion Rupees as of September 30, 2023. The Bank holds provisions amounting to 20.61 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 33.18 billion Rupees or about 0.3% of the total loan portfolio at December 31, 2023 from 35.36 billion Rupees at September 30, 2023. Of the total fund based outstanding under resolution at December 31, 2023, 27.82 billion Rupees was from the retail, rural and business banking portfolio and 5.36 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 10.32 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 13.4% year-on-year to 186.78 billion Rupees. The net interest margin was 4.43% in this quarter compared to 4.53% in the previous quarter and 4.65% in Q3 of last year. The sequential movement in NIM reflects the lagged impact of increase in term deposit rates over the last year, on the cost of deposits.

The impact of interest on income tax refund on net interest margin was 4 bps in Q3 of this year compared to nil in the previous quarter and in Q3 of last year. The domestic NIM was at 4.52% this quarter compared to 4.61% in the previous quarter and 4.79% in Q3 of last year. The cost of deposits was 4.72% in this quarter compared to 4.53% in the previous quarter. Of the total domestic loans, interest rates on 49% are linked to the repo rate, 2% to other external benchmarks and 18% to MCLR and other older benchmarks. The balance 31% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 19.8% year-on-year to 59.75 billion Rupees in Q3 of 2024

- Fee income increased by 19.4% year-on-year to 53.13 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 79% of the total fees in this quarter

- Dividend income from subsidiaries and associates was 6.50 billion Rupees in this quarter compared to 5.16 billion Rupees in Q3 of last year. The year-on-year increase in dividend income was primarily due to higher interim dividend from ICICI Securities, ICICI Prudential Asset Management and ICICI Securities Primary Dealership

On Costs: The Bank's operating expenses increased by 22.3% year-on-year in this quarter. Employee expenses increased by 30.5% year-on-year in this quarter, reflecting mainly the increase in the employee base from the second half of fiscal 2023 onwards. The Bank had about 141,000 employees at December 31, 2023. The number of employees has increased by about 23,600 in the last 12 months and about 1,700 in the current quarter. Non-employee expenses increased by 17.8% year-on-year in this quarter primarily due to retail business related and technology expenses. Our branch count has increased by 123 in Q3-2024 and we had 6,371 branches as of December 31, 2023. The technology expenses were about 9% of our operating expenses in the nine months ended December 31, 2023.

The core operating profit increased by 10.3% year-on-year to 146.01 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit grew by 9.7% year-on-year.

The total provisions during the quarter were 10.50 billion Rupees, or 7.2% of core operating profit and 0.36% of average advances compared to 5.83 billion Rupees in the previous quarter. The provisions during the quarter included the impact of 6.27 billion Rupees pursuant to the recent RBI circular on investments in Alternative Investment Funds. The provisioning coverage on NPAs was 80.7% as of December 31, 2023. In addition, we hold 10.32 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of December 31, 2023. At the end of December, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 230.25 billion Rupees or 2.0% of loans.

The profit before tax excluding treasury grew by 23.4% year-on-year to 135.51 billion Rupees in Q3 of this year.

There was a treasury gain of 1.23 billion Rupees in Q3 compared to 0.36 billion Rupees in Q3 of the previous year.

The tax expense was 34.02 billion Rupees in this quarter compared to 27.02 billion Rupees in the corresponding quarter last year. The profit after tax grew by 23.6% year-on-year to 102.72 billion Rupees in this quarter.

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-December 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 import transaction lifecycle with bespoke solutions providing frictionless experience to the clients and simplify customer journeys. About 72% of trade transactions were done digitally in Q3-2024. The volume of transactions done through Trade Online platform in Q3-2024 grew by 26.2% year-on-year.

We have further simplified cross-border remittance journeys with new enhancements. SmartIRM, is a multi-party cross-border inward remittance solution with virtual account architecture, enhanced security features and remittances reconciliation with payer identification. SmartORM enables pre-vetting of outward remittance transactions to ensure error-free submission before booking foreign exchange deals.

iLens, the retail lending platform currently enabled for mortgages, is being upgraded on an ongoing basis with new features such as integration with account aggregators, opening of instant paperless saving bank account for newly on-boarded mortgage customers and instant property valuation reports for select developers to provide enhanced customer experience and serve the customer's 360 degree needs digitally.

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 58.53 billion Rupees at December 31, 2023 compared to 47.89 billion Rupees at September 30, 2023 and 55.81 billion Rupees at December 31, 2022. This portfolio is about 0.5% of our advances at December 31, 2023. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at December 31, 2023. At December 31, 2023, we held provisions of 9.25 billion Rupees on the BB and below portfolio compared to 8.17 billion Rupees at September 30, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 784.84 billion Rupees at December 31, 2023 compared to 837.49 billion Rupees at September 30, 2023. The total outstanding loans to NBFCs and HFCs were about 6.8% of our advances at December 31, 2023.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 456.85 billion Rupees at December 31, 2023 compared to 430.58 billion Rupees at September 30, 2023. The builder portfolio is about 4.0% 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 3.1% of the builder portfolio at December 31, 2023 was either rated BB and below internally or was classified as non-performing, compared to 3.5% at September 30, 2023.

F. Consolidated results

The consolidated profit after tax grew by 25.7% year-on-year to 110.53 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 annualised premium equivalent of ICICI Life was 54.30 billion Rupees in 9 months ended December 31, 2023 compared to 53.41 billion Rupees in 9 months of last year. The value of new business margin was 26.7% in 9 months ended December 31, 2023 compared to 32.0% in 9 months of last year and 32.0% in fiscal 2023. The value of new business was 14.51 billion Rupees in 9 months ended December 31, 2023 compared to 17.10 billion Rupees in 9 months of last year. The profit after tax of ICICI Life was 6.79 billion Rupees in 9 months ended December 31, 2023 compared to 5.76 billion Rupees in 9 months of last year and 2.27 billion Rupees in Q3-2024 compared to 2.21 billion Rupees in Q3-2023.

Gross Direct Premium Income of ICICI General was 62.30 billion Rupees in Q3-2024 compared to 54.93 billion Rupees in Q3-2023. The combined ratio stood at 103.6% in Q3-2024 compared to 104.4% in Q3-2023. Excluding the impact of CAT losses, the combined ratio was 102.3% in Q3-2024. The profit after tax was 4.31 billion Rupees in Q3-2024 compared to 3.53 billion Rupees in Q3-2023.

The profit after tax of ICICI AMC, as per Ind AS was 5.46 billion Rupees in this quarter compared to 4.20 billion Rupees in Q3 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 4.66 billion Rupees in this quarter compared to 2.81 billion Rupees in Q3 of last year.

ICICI Bank Canada had a profit after tax of 15.9 million Canadian dollars in this quarter compared to 11.5 million Canadian dollars in Q3 last year.

ICICI Bank UK had a profit after tax of 6.7 million US dollars this quarter compared to 3.1 million US dollars in Q3 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.86 billion Rupees in the current quarter compared to 1.05 billion Rupees in Q3 of last year.

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

Moderator:

Thank you very much. We will now begin the question and answer session. We have the first question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania:

Hi, I just wanted to know about operating expenses. They've not grown much this quarter. So, going ahead, do we expect this kind of growth or any comments on the opex bit?

Anindya Banerjee:

As far as the operating expenses are concerned, I think if we look at the non-employee expenses, those are really growing in line with the business. This quarter, of course, the advertising and sales promotion expenses on a year-on-year basis, the growth was on the higher side because of the festive season related spends. In the last year, the festive season was split over Q2 and Q3. So those are really growing in line with the business. On the employee side, I think, is where we have seen over the last maybe six quarters pretty high growth because of the increase in the team size of the Bank. But, as you would have seen in this quarter, the net increase has slowed down, I mean, compared to about 10,000 to 11,000 in the first half, we were at about 1,700 in Q3. We would not be probably looking at adding the kind of headcount at the same pace. So, that will play through into the operating expenses as we go ahead.

Mahrukh Adajania:

So, the headcount additions now will be moderate only, this is not just a one-off?

Anindya Banerjee:

Yes, they will not be at the pace that we have seen over the previous four to five quarters.

Mahrukh Adajania:

Just in terms of LDR, there's a lot of discussion around it already. You are okay, but do you have any path on LDR, I mean, would you like to retain LDR at current levels or bring it down, any views on that?

Anindya Banerjee:

The way we look at the balance sheet and the funding structure is that we look at, I would say three ratios, certainly the credit deposit (CD) ratio or the LDR, the LCR, which is a measure of current liquidity and the NSFR or the net stable funding ratio. So the LCR and NSFR are a little more granular in the sense that they do take into account the nature of assets and liabilities in terms of product, counterparty and tenor. So, we look at all three. If we look at the LCR and the NSFR, we are well above the regulatory minimum at about 120%. On the credit-to-deposit ratio, there are a couple of things. One, typically a bank with a higher level of capital would tend to have also a higher CD ratio mathematically. When we look at our CD ratio, we also look at the overseas operations and the domestic balance sheet separately, because they are managed separately and in the overseas operations we have relatively limited deposit taking capability. Of course, now the impact is much lower than it used to be say 7-8 years ago, because that portfolio has come down to less than 5% of our overall portfolio, but it does have an impact of a percentage point or two. As far as the bulk of the balance sheet, which is the domestic balance sheet of course, deposits are our primary source of funding along with capital. In addition to that, we always try to optimise between the wholesale deposit taking and the more stable wholesale sources like refinance and bonds. So, in general, if you look at it over a longer period of time on the domestic balance sheet, our CD ratio has kind of hovered around the mid-80s other than periods of very high liquidity and very low loan growth like the pandemic. So, that is kind of the way in which we manage it, looking at all these three ratios on an ongoing basis.

Mahrukh Adajania:

Assuming that the rates will remain stable, would you say that your margins have now bottomed out and this would be the level or is deposit competition too strong to say that, assuming no change in policy rates?

Anindya Banerjee:

On the deposit side, I think the retail deposit rates have remained stable for a fair period of time now, at least the peak rate. Although, I think at various points of time, banks have moved up and down in certain other buckets. Of course, in Q3, given the overall liquidity environment, we did see some amount of hardening of the wholesale deposit rates, which is reflected in the certificate of deposit (CD) rates and also the rates being quoted for high value kind of deposits, and I think if you look at current systemic liquidity, it is running at a negative. So, I guess that scenario will stay for some time until, may be, the monetary policy starts to turn a little more accommodative. So, that’s on the deposit rate side. From a margin perspective, we have said in the past that we expect the full year margin of this year to be at a similar level as of last year, and that implies some further margin compression in Q4, but it should be much lower than what we have seen. I mean, Q3 was already much lower than Q2, and Q4 should be lower than what we have seen in Q3.

Moderator:

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

Abhishek Murarka:

Two questions. One, on asset quality. If I see your slippages in retail, rural, business banking, that have gone up, even if I knock off the kisan credit card slippages. So, can you explain, where that has come from? Similarly, on the recoveries and upgrades in corporate and SME, is there any kind of one-off or what's happened there that has also improved actually?

Anindya Banerjee:

I think as far as the retail side is concerned, nothing specific to call out. I think it's really spread across products, and if you look at the delta relative to the size of the portfolio, it is not particularly meaningful. So, as we have been saying, we would expect both the gross and net additions on the retail side to gradually normalise upwards, both as the portfolio grows and seasons. On the corporate side, we did have one or two larger sort of upgrades this quarter, but in a way the benefit of that in provisioning terms was kind of offset by the provisioning on the AIF investments. Taking it altogether, if we look at kind of the credit costs, the provisioning for the quarter and eliminate maybe a very chunky corporate upgrade, eliminate the AIF provisioning and really try and look at an adjusted number, it would be still be below maybe 50 bps of loans and about 10% of the PPOP. So that is the context in which we would look at the NPL formation and recoveries from our planning and risk appetite perspective.

Abhishek Murarka:

Sort of extending that, does it mean that even in the next few quarters, we should continue to see credit cost in that range because you have enough PCR anyway, that can come down a little bit, so credit cost can remain low for let's say next three to four quarters, is that a fair assumption?

Anindya Banerjee:

We don't really give forward-looking thing, but I would say that yes, I don't see anything imminently that would cause it to spike up, there will be some gradual normalization upwards.

Abhishek Murarka:

My second question is just on cost of deposits. If you can share maybe your incremental cost of TDs or incremental cost of deposits, anything that you may have handy that would be helpful?

Anindya Banerjee:

We don't publish those numbers, Abhishek.

Moderator:

Next question is from the line of Rikin Shah from IIFL. Please go ahead.

Rikin Shah:

I just have one question on cost of deposits. If you could just qualitatively comment as to the repricing on the existing book of TD, would you say that by Q4, most of it would already be repriced into the P&L or it could flow into Q1 as well?

Anindya Banerjee:

There could be some flow into Q1 as well, but I think most of it should be done in Q4.

Rikin Shah:

In this quarter, it increased 20 bps Q-o-Q. So, in terms of the quantum, should it be kind of slowing down from the current run rate?

Anindya Banerjee:

I would guess so.

Moderator:

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

Kunal Shah:

Sir, the question is on yield. When we look at it, in fact the rise is in some of the high yielding portfolio, sequential growth has been strong and we would have increased the rates even say post the tweaking of the risk weights by RBI, but still, overall yield on advances are down, so just want to understand on that bit? This entire NBFC rundown which has been there, is it like we tried to pass it on, in terms of the rates and then there were repayments or we have been conservative post the risk weight stance from RBI?

Anindya Banerjee:

On the first question, I think part of the impact on the advances yield is because of the addition to the KCC NPL. So basically what happens is that you derecognise a year's worth of interest income, so that does impact the yield on advances. In other parts, one, if you look at the share of the high yielding portfolio, it is still not that high and we have seen decent growth in mortgages and auto and also on the corporate side which continue to be pretty competitive. So, I would say the yields have been broadly stable and to some extent any mix benefit that could have come has been offset by the non-accrual on the KCC loan. The second question was on the NBFC exposure. I guess that we keep looking at the various exposures from a risk-reward basis. I mean, we did not have any credit concerns on these exposures. But they were finely priced exposures and we have, therefore, a couple of borrowers, who prepaid and we were quite okay with that.

Kunal Shah:

And how much rate pass-on was there in NBFC?

Anindya Banerjee:

It would really depend on the client. I don't think there is any rule of thumb in that sense. As you see the book itself, I mean, even adjusting for this pre-payment, it has not really grown much during the quarter. So, there would not have been any very large lending that would have happened afresh.

Moderator:

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

Nitin Aggarwal:

So one question again around the yields as to really how do you look at the competitive intensity in unsecured products, and even in the mortgage, are you seeing that lenders are cutting down on spreads because the repo rates have been unchanged, but are the rates like seeing some moderation there? Going forward, how do you see the unsecured loan mix also moving for the Bank because until now it has been going very steady and some other private banks are indicating that they'll continue to drive that up, so what will be our approach on the unsecured loan mix?

Anindya Banerjee:

I think as far as the competitive intensity in rates, that is kind of continuing, I mean, we'll have to see if things change in Q4, but certainly in Q3 across most of the products, mortgages and corporate lending, we continue to see a fair degree of competitive intensity. The way we look at it is to try and be disciplined in our pricing, to look at the customer and see what is the total relationship value that we can have with the client and their ecosystem and then take a call on the loan pricing. We, in general, are not particularly focused on loan growth. So, in that sense, we are able to calibrate our pricing decisions.

Nitin Aggarwal:

Just related to this like has your aggregate mortgage portfolio yield come down over say in the second quarter?

Anindya Banerjee:

No, it could not have because incremental business takes time to feed through. You had another question after the yield competitiveness.

Nitin Aggarwal:

That was like on the unsecured loan mix.

Anindya Banerjee:

On the unsecured loan mix, I think as far as personal loans is concerned, as we have mentioned we have taken some steps in terms of refining the credit parameters. Basically, in any portfolio you have certain cohorts which contribute more to the delinquencies and you try to figure out what are the origination markers of those cohorts and then cut origination in those particular segments, which is what we've done and we've also rationalised, for example, sourcing payouts as well as we've moved our pricing on personal loans by maybe 20, 25 basis points. So, I would expect that growth in that portfolio may continue to moderate a little bit even from a current level. But from overall P&L impact, I would think that it should not have much of a P&L impact because in any product or business, it's not just about the yield and the margin. Hopefully, if we are managing the sourcing cost well that will contribute to profitability, and hopefully, if we are reducing in the right cohorts, that will contribute to credit costs being better as well.

Nitin Aggarwal:

Around credit cost, any comments on that?

Anindya Banerjee:

I think I spoke earlier in relation to an earlier question. I mean, I do agree that there is some noise in that line item this quarter because of the AIF and the large corporate recovery. But if I kind of try to smoothen that out, as I said, we would be at about maybe 50 bps of loans and 10% of the PPOP. So it is quite well contained and within our risk appetite.

Moderator:

Next question is from the line of MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh:

Just two questions. One is on slide #34, there has been a drop in the AA-kind of rated portfolio and then increase in the BBB part of the portfolio.

Anindya Banerjee:

Mahesh, I think two things largely explain that. One is that the reduction in the NBFC portfolio, most of our NBFC portfolio is well rated A and above. So, as a result of the reduction in that portfolio, we would have seen some reduction in the outstanding in the higher rated category. And the second factor was that we had one of the larger upgrades of NPLs that got rated in the BBB family on upgrade. So one is the sort of I would say positive movement from a capital and profitability perspective, the other is a positive movement from a credit perspective. But yes, because of those two, the mix does look slightly different.

MB Mahesh:

Second question is, is there interest reversal impact on account of KCC portfolio which is meaningful?

Anindya Banerjee:

We have not really given a number, I mean that's part of the sort of margin, happens every first and third quarter, so, we've not called out that number separately.

MB Mahesh:

On the unsecured loans, are you saying that things have started to worsen or you say that the margin remaining more or less the same?

Anindya Banerjee:

I think it is remaining more or less the same. We have been looking at that portfolio very closely. As I said, in any portfolio at any point of time, there's always a bottom cohort which one could sort of do without, and given the overall commentary on unsecured and the increase in capital charge and so on, we have tried to sort of trim that part of the portfolio.

Moderator:

Next question is from the line of Chintan Joshi from Autonomous. Please go ahead.

Chintan Joshi:

Can I just follow up on that unsecured point you made? You mentioned that some cohorts you're seeing, different delinquency trends on unsecured. If you were to do cohorts by time of origination, is there recent kind of origination seeing different delinquency trends, not breaking cohort by quality, but by time, are you seeing any difference?

Anindya Banerjee:

I think the markers we look at are more in terms of the characteristics of the customer and try and find, wherever, if we are able to look at delinquency in terms of the characteristics of the customer and see what kind of loan borrowers are contributing more to delinquency, not to do with time as such.

Chintan Joshi:

And if you do look at time, is it similar trends so far say a loan given at the end of COVID and versus kind of in the last six months?

Anindya Banerjee:

I don't think we have really commented on that.

Chintan Joshi:

The other question I had was on cost of deposits. It increased 19 bps quarter-on-quarter. You are indicating some more NIM pressure, but if I think about the exit run-rate, if I keep NIMs flat on FY24 versus FY23 basis, then it would be kind of 4.2, but I don't think that's what you're trying to imply. So, if I break that down a little bit more, could you give some color on how much more repricing is left on the deposit side that we can factor in?

Anindya Banerjee:

We've not given really how much more repricing on the deposit side. I think what we said is that there will be some more increase in the cost of deposits in Q4 and possibly a little bit into Q1 as well. It should be less than what we have seen and the NIM impact should also be less than what we have seen in this quarter.

Chintan Joshi:

Any indication on branch expansion number for FY2025?

Anindya Banerjee:

No, not really. I think this quarter we added about 123 branches. As we have said in the past, we follow a pretty bottom-up approach. I mean, people closest to the market who kind of recommend branch openings and then we do some assessment and open it. So, we are not holding back on any branch opening, but we don't have a particular branch opening target either.

Moderator:

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

Param Subramanian:

On the average CASA ratio, if we look at it quarter-on-quarter, we are not seeing any let up in the pace at which this is moderating. So, any indication on where you see this say bottom-out, starting to pick up or do we have to wait for a much more looser liquidity environment like you were alluding to earlier?

Anindya Banerjee:

I think this is something you're seeing to varying degrees across the system, across all banks. I think, in our context, we are probably doing relatively better on the current account side. I think our payment products and payment platforms are contributing to higher float balances. On the SA side, I think it's much more a function of interest rates and consumption. So, I guess, I don't have an answer at the moment, I think we will have to wait for a couple of quarters and eventually see how things pan out next year as liquidity sort of normalises in the system.

Param Subramanian:

Just one more question again around this. How are we geared towards say government spend coming back, how much is that? If you can give some direction number as a percentage of our deposit say so when that comes back, how does that help you in terms of CASA as well as overall deposits?

Anindya Banerjee:

Our focus as far as the government is concerned is more from providing solutions which enable them to manage their cash flow and provide MIS, reconciliation, digital solution. So yes, the flow of that money through our system does create float. It is some part of our base, but one caveat is that the government is also becoming progressively more efficient in terms of the way in which it manages its finances. So, I don't think one can rely too much on idle government money lying with you in CASA form.

Moderator:

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

Anindya Banerjee:

Thank you very much for taking the time on a Saturday evening as always and happy to speak on any other clarification.

Moderator:

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