January 27, 2023

BSE Limited Listing Department Phiroze Jeejeebhoy Towers Dalal Street Mumbai 400 001	National Stock Exchange of India Limited Listing Department Exchange Plaza, 5th floor Plot No. C/1, G Block Bandra-Kurla Complex Bandra (East) Mumbai 400 051

Dear Sir/Madam,

Please find attached the transcripts of the Conference Call with Media and of Earnings Call with analysts and investors on the financial results for the quarter and nine months ended December 31, 2022.

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/news-interaction-with-media-on-icici-banks-financial-performance-in-the-quarter-ended-december-31-2022
2.	Transcript of the Earnings Call with Analysts and Investors	https://www.icicibank.com/aboutus/qfr.page?#toptitle

This is for your records and information.

Yours sincerely,
For ICICI Bank Limited

VIVEK RANJAN

Digitally signed by VIVEK RANJAN
DN: cn=VIVEK RANJAN, o, ou, email=vivek.r@icicibank.com, c=IN
Date: 2023.01.27 17:04:50 +05'30'

Vivek Ranjan
Chief Manager

Encl.: As above

ICICI Bank Limited

Media conference call for quarter ended December 31, 2022

on January 21, 2023

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 forwardlooking 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, and the impact of the Covid-19 pandemic which could result in fewer business opportunities, lower revenues, and an increase in the levels of non-performing assets and provisions, depending inter alia upon the period of time for which the pandemic extends, the remedial measures adopted by governments and central banks, and the time taken for economic activity to resume at normal levels after the pandemic, 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 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 Chief Financial Officer Anindya Banerjee. Thank you all for joining us today. We hope that you are safe and in good health.

Amidst the global uncertainties, India's GDP growth has been resilient. The pickup in economic activity is reflected in the expanding Purchasing Managers' Index, GST collections and other high frequency indicators. Financial stability has been maintained and inflation, though elevated, has moderated from its peak. We will continue to monitor these developments closely.

At ICICI Bank, we aim to grow the core operating profit in a risk-calibrated manner through a 360-degree customer-centric approach and by focusing on ecosystems and micro-markets. We continue to operate within our strategic framework and strengthen our franchise, enhance our delivery and servicing capabilities and expand our technology and digital offerings.

Our Board has today approved the financial results of ICICI Bank for the quarter ended December 31, 2022. I would like to highlight some key numbers:

A. Profit and capital

1. Core operating profit, that is, profit before provisions and tax, excluding treasury income, grew by 31.6% year-on-year to ₹ 13,235 crore in Q3-2023.
2. Net interest income increased by 34.6% year-on-year to ₹ 16,465 crore in Q3-2023.
3. The net interest margin was 4.65% in Q3-2023 compared to 3.96% in Q3-2022 and 4.31% in Q2-2023. Net interest margin was 4.33% in 9M-2023
4. Fee income grew by 3.7% year-on-year to ₹ 4,448 crore in Q3-2023
5. The profit after tax grew by 34.2% year-on-year to ₹ 8,312 crore in Q3-2023.
6. The consolidated profit after tax grew by 34.5% year-on-year to ₹ 8,792 crore in Q3-2023
7. The standalone RoE was 17.6% in Q3-2023.

8. At December 31, 2022, the Bank had a net worth of about ₹ 1.9 lakh crore. Including profits for 9M-2023, CET-1 ratio was 17.1%, Tier 1 ratio was 17.6% and total capital adequacy ratio was 18.3%.

B. Deposit growth

1. Total period-end deposits increased by 10.3% year-on-year to ₹ 11,22,049 crore at December 31, 2022.
2. Period-end term deposits increased by 14.2% year-on-year to ₹ 6,13,208 crore at December 31, 2022.
3. Average current account deposits increased by 7.9% year-on-year.
4. Average savings account deposits increased by 11.4% year-on-year.
5. We opened about 300 branches in 9M-2023 and had a network of 5,718 branches and 13,186 ATMs at December 31, 2022.
6. The Bank added about 11,200 employees in the last 9 months and had about 1,17,200 employees at December 31, 2022.

C. Loan growth

1. The overall loan portfolio grew by 19.7% year-on-year and 3.8% sequentially at December 31, 2022. The domestic loan portfolio grew by 21.4% year-on-year and 4.2% sequentially at December 31, 2022.
2. The retail loan portfolio, excluding rural loans, grew by 23.4% year-on-year and 4.5% sequentially. Including non-fund outstanding, the retail loan portfolio was 44.9% of the total portfolio. The rural portfolio grew by 12.5% year-on- year and 3.8% sequentially. The business banking portfolio grew by 37.9% year-on-year and 5.2% sequentially. The SME business, comprising borrowers with a turnover of less than ₹ 250 crore grew by 25.0% year-on-year and 8.3% sequentially. Growth in the domestic wholesale banking portfolio was 18.2% year-on-year and 4.7% sequentially at December 31, 2022.
3. 73.1% of the total loan portfolio, excluding, retail and rural, was rated A- and above at December 31, 2022

D. Digital initiatives

1. There have been around 86 lakh activations from non-ICICI Bank account holders on our mobile banking app, iMobile Pay as of December 31, 2022. The value of transactions by non-ICICI Bank account holders on iMobile Pay during Q3-2023 was 2.3 times the value of transactions in Q3-2022.

2. The value of the Bank's merchant acquiring transactions through UPI grew by 10.6% sequentially and 78% year-on-year in Q3-2023. The Bank had a market share of about 30.6% by value in electronic toll collections through FASTag in Q3-2023, with a 22.2% year-on-year growth in collections.

3. The business banking and SME franchise continues to grow on the back of digital offerings and platforms like InstaBIZ along with the Bank's extensive branch network. The value of financial transactions on InstaBIZ grew by about 29.2% year-on-year in Q3-2023. There have been about 2,15,000 registrations from non-ICICI Bank account holders on InstaBIZ till December 31, 2022.

4. The Bank has created more than 20 industry specific STACKs, which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. The Bank's Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. About 71.2% of trade transactions were done digitally in Q3 of this year. The value of transactions done through these platforms increased by about 59.3% year-on-year in Q3 of this year.

5. The Bank has launched a STACK for real estate sector to offer digital and phygital banking solutions on one platform for builders, Real Estate Investment Trusts (REITs) and Alternate Investment Funds (AIFs) covering the entire lifecycle from construction to leasing and selling the property as well as services for their customers, employees and vendors.

6. The Bank has also launched comprehensive digital solutions, value-added services and Trade APIs for exporters covering the entire export life cycle including discovery of export markets, export finance - Insta EPC, foreign exchange services and export incentives.

E. Asset Quality

1. The net NPA ratio declined to 0.55% at December 31, 2022 from 0.61% at September 30, 2022 and 0.85% at December 31, 2021
2. During Q3-2023, there were net additions to gross NPAs of ₹ 1,119 crore compared to ₹ 605 crore in Q2-2023.
3. The gross NPA additions were ₹ 5,723 crore in Q3-2023 compared to ₹ 4,366 crore in Q2-2023. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 4,604 crore in Q3-2023 compared to ₹ 3,761 crore in Q2-2023.
4. The gross NPAs written off were ₹ 1,162 crore in Q3-2023.
5. The Bank did not sell any NPAs in Q3-2023.
6. The provisioning coverage ratio on NPAs was 82.0% at December 31, 2022.
7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹ 4,987 crore or 0.5% of total advances at December 31, 2022 from ₹ 6,713 crore at September 30, 2022. The Bank holds provisions amounting to ₹ 1,529 crore against these borrowers under resolution, as of December 31, 2022.
8. The loan and non-fund based outstanding to performing borrowers rated BB and below reduced to ₹ 5,581 crore at December 31, 2022 from ₹ 7,638 crore at September 30, 2022.
9. The total provisions during the quarter were ₹ 2,257 crore or about 17.1% of core operating profit and about 0.93% of average advances. This includes contingency provisions of ₹ 1,500 crore made on a prudent basis. The Bank held contingency provisions of ₹ 11,500 crore at December 31, 2022.
10. During the quarter, we have revised our provisioning norms on non-performing assets to make them more conservative for corporate, SME and business banking.

This change resulted in higher provisions amounting to about ₹ 1,196 crore in Q3-2023.

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” 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. Ladies and gentlemen, 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 touch-tone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question.

Since today’s announcement is on the Bank’s Q3 results, we would like to request you to ask questions which are only related to the Bank’s financial performance. If you have any other query, please write to the corporate communications team separately.

Due to time constraints, I request all of you to ask not more than two questions at a time. If you have any additional queries, you may join the queue again. Thank you.

We will take the first question from the line of Saloni Shukla from Economic Times. Please go ahead.

Saloni Shukla:

Sir, just wanted some clarifications on the provisions, if you could throw some colour, you said that there is some conservative policy that you have brought in for provisions. Keeping in mind that you also have contingency provision, which runs more than ₹ 11,000 crores, so where is this conservatism coming from? What are you sorting that is making you add to your provisions?

Sandeep Batra:

Saloni, thank you for this question. As I did mention, this is being made on a prudent basis. I have also mentioned that over 73% of our book of business, excluding retail is in the A- and above family. So we are pretty confident of the quality of book that we have built in.

So this is being done as a prudent measure. You are right, we hold a provision of about ₹ 10,000 crore. So we have made an additional provision for contingency of about ₹ 1,500 crore. This is in keeping mind the overall macro environment both globally and in India, and the impact of inflation and interest rates and geopolitical risks across ~~a~~ portfolio. We feel that it is better to have a contingency buffer. It strengthens the balance sheet and it is within our overall strategic framework. I think the objective is to strengthen our balance sheet.

In addition to that, we have also tightened our policy on the corporate side, corporate and SMEs, which is essentially the non-retail book. We were having a policy, which was essentially in line with RBI guidelines. On a proactive basis and with the objective of ensuring that the balance sheet is robust and resilient at all times, we have strengthening some provisions. So this has resulted in a lower net NPA ratio and a healthy PCR. In fact, our PCR continues to be at about 82%. So this has resulted in additional provisions of about ₹ 1,200 crore. So, total, yes, we have made additional provisions of about ₹ 2,700 crore.

Saloni Shukla:

Sir, on the margins, the margins this quarter have been very healthy. Since we are yet to see the total impact of the RBI rate hike passing on to your loans, would it be correct to assume that NIMs would be on a higher trajectory going forward from here on?

Sandeep Batra:

No, it is very difficult to say that, Saloni. In a rising rate environment, NIMs of the banks typically tend to rise as interest rates of loans linked to the external benchmark re-price faster. But, as the deposit rates also are getting re-priced, we do expect that somewhere the NIMs will stabilize... and then depending on how both the deposit and the interest rates, I mean they will probably peak within a quarter or so. And then we will see, depending on other things. But as a bank, we would like to continue our NIMs, but our focus is essentially going to be on PPOP as we have been guiding for a pretty long time. ,

Saloni Shukla:

Just one last question, sir. Your deposits, if I am getting that number correct, have grown almost half of your advances. So, I know that especially in the month of December, we saw like back-to-back deposit rate hikes from ICICI Bank. Do you see further deposit growth from here on because maybe the impact of that deposit rate hike is not fully flown in? Would that be correct?

Sandeep Batra:

I think we have to look at it in the overall context, Saloni. Deposit is one of the means of funding. We also have borrowings. Secondly, we have been having a pretty comfortable LCR. It is now about 123%-124%. So to that extent, we have been able to utilize our existing liquidity. That is the reason why we grew our deposits by about ₹ 32,000 crore during the quarter. From our perspective, we are pretty confident that whatever loan growth that we are attempting to or aspiring to do for our customers, will not be constrained by deposits, or current liabilities for that matter.

Moderator:

Our next question is from the line of Kshipra Petkar from the Informist. Please go ahead.

Kshipra Petkar:

Sir, can you throw some light on what are the slippages from; slippages have gone up in this quarter?

Sandeep Batra:

So, we have had a total gross additions of about ₹ 5,700 crore as I had mentioned. Out of this, retail, rural and business banking is ₹ 4,159 crore. Corporate and SME is about ₹ 1,500 crore. Then there are recoveries and upgrades amounting to total of ₹ 4,000 crore. Out of which retail and rural was ₹ 3,184 crore. Corporate and SME was ₹ 1,420 crore. So the net additions has been only about ₹ 1,119 crore.

Moderator:

We will take the next question from the line of Jinit Parmar from Moneycontrol. Please go ahead.

Jinit Parmar:

Firstly, I would like to know that your bank has said that you would be focusing more on SME section for lending and in the result it has shown a very good...

Sandeep Batra:

Jinit, I don't think that we have said that we will be focusing on any particular segment. We will be focusing on risk-calibrated growth. It can come from retail, SME, corporate, wholesale, rural, all parts of the economy. Yes, SME has been growing at a much more healthier pace at this point of time. In fact, during the quarter, our SME portfolio grew by about 25% and our business banking grew by 37.9% year-on-year. But, I just want to clarify, it's not about the segments classified by as a rural or SME or corporate. It is about the quality of the customer and who fits within our risk framework that we really focus on. The growth numbers are a byproduct. It is not our strategy.

Jinit Parmar:

My second question is concerning your digital business growth. Any numbers or anything you could share on concerning the CBDC thing that is happening. Any, anything?

Sandeep Batra:

The CBDC is in a pilot stage. We are among the four banks, which are supporting that. There is nothing significant from a sharing point of view. But, we are participating in this actively, and it is important to build capabilities around it. So we will see how it goes.

Moderator:

Our next question is from the line of Gopika Gopakumar from Mint.

Gopika Gopakumar:

I have a question on your subsidiaries, post your decision not to distribute the product of your subsidiaries. It seems that the performance of your subsidiaries have taken a beating. Are you looking -- I mean, is there a rethink on this decision, which is being taken? Or are you good to...

Sandeep Batra:

So, Gopika, our strategy is very similar. We have every suite of products on our portfolio. And, whatever the customer is wanting and whatever is right from a customer point of view, we will be selling that. So, it is a function of a customer need. We have also said we will sell products, which are in line with of our overall philosophy of 'Fair to the Bank and Fair to the Customer'.

Whatever the customer wants, we are able to do it. I think I did articulate a couple of years back from a strategy point of view-- on an operating level, each branch or regional head of free to decide the mix, which is most appropriate to the micro market and address a customer need at that point of time.

So whatever there is a need, we will be trying to meet that need. So our focus is on the customer. Our focus is not on a product. Even in the bank, if you have seen the same thing If you see our overall strategy, in every aspect, we are putting the customer at the center of this thing and trying to offer all the banking products. It's not that I would say to sell all banking products to everybody. It will be -- sell products, which are only relevant for that customer. So that is where we are.

Gopika Gopakumar:

Just one final question related to the recent news around the arrest of your former bank official, -- is there any further investigation, which is happening within the bank? Will that have an impact?

Sandeep Batra:

Gopika, we have just been focused on our quarterly results. Anyway, we have responded whatever queries came from investing agencies. We always respond to them, but they are always privileged.

Moderator:

Our next question is from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe:

Sir, how much of the slippages are from the restructured accounts, especially the ₹ 459 crore of retail and rural banking?

Anindya Banerjee:

If we look at the corporate slippages, there we had about ₹ 8 billion of slippages from the restructured portfolio, nothing really to call out on the retail side. The restructured portfolio itself has been quite small. It was about ₹ 60-odd billion as of last quarter and which has come down to ₹ 50 billion in the current quarter, about ₹ 8 billion of that reduction would be a reduction to slippages to NPA on the corporate side.

Ashish Agashe:

And sir, are the rural banking asset growth at 12.5%, so is there some seasonality there?

Anindya Banerjee:

It has been kind of in that range. There is some seasonality in parts of the portfolio, such as crop related fees. But in our rural banking, what we report there is a diversified portfolio that includes small rural businesses, gold loans as well as farmer financing-- these would be the three big components. So it's quite a diversified portfolio.

Ashish Agashe:

Okay. And sir, if not restructured, then where does the ₹ 4,000 crore slippages on the retail side are coming from, sir?

Anindya Banerjee:

So this is in a large granular portfolio. You will have slippages and recoveries on an ongoing basis, which is why we look at the net slippages actually as a more relevant number. And those are running at pretty low levels. If you look at it on a sequential basis, Q3 versus Q2, every year, you do see higher additions in the rural portfolio of NPAs in the third quarter on the Kisan Credit Card portfolio because of the seasonality of that product and its NPL cycle. Other than that, it's quite a normal performance.

Ashish Agashe:

Final questions. You reiterated that the prudential provisioning has been done because of the global macro inflation growth and other outlook just to sort of -- just for a remedy. So, how long do you see this prudential provisioning continuing? And also, sir, like what are your general views on the transition to ECL.. I know it's early days, but still...

Sandeep Batra:

Ashish, I think you are right. I mean, you see it is very, very early days. The discussion paper is just probably out, and we will await the final guidelines. But our preliminary assessment is that ECL will not have any impact on the current provision levels and PCR, which is under Indian GAAP.

Anindya Banerjee:

On the provisioning part, for the quarter, as Sandeep explained, there are two components to the provisioning. One is the additional contingency provision of ₹ 15 billion, and the other is the ₹ 1.96 billion, which is the result of a change in provisioning norms. If we look at the contingency provision, this is something we keep assessing every quarter based on the trends in the environment, global and Indian and our analysis across our portfolios.

So, that is something that we would assess on a quarterly basis. It's not really possible to say till when or what quantum. On the change in provisioning norms, as Sandeep explained, we were following the RBI norms for the corporate, SME and business banking portfolios. Whereas in the retail and rural portfolios, we had, over the years, accelerated our provisioning norms to provide much at a higher level than the minimum prescribed by the RBI. So we thought it prudent to also change our provisioning norms for the corporate, SME and business banking portfolios to make them also more conservative. And, this is a norm that we have established. So while the impact on the current portfolio was ₹ 11.96 billion for the quarter. It was to implement those norms as of December 31, 2022 on the portfolio. We will follow this norm. So, each quarter, whatever NPA additions come from this category will get provided as per these revised, more conservative norms.

Moderator:

Our next question is from the line of Viswanathan from Bloomberg Quint. Please go ahead.

Viswanathan:

The question, Sandeep, I have is related to the wholesale book, where you are growing.

And, I know you keep talking about the fact that it has to be this adjusted return and it has been good for you to be excited about the business. Has that return in, say, infrastructure or broader wholesale, come to you as you look at loan proposals? Is the risk adjustor return becoming better on the wholesale front?

Sandeep Batra:

So Viswanathan, I think you have answered the question yourself. I think we have grown our domestic book this quarter year-on-year. There is a lot happening in the overall economy, which I think all of you are very well familiar with. From our perspective, whenever we are assessing corporate or in fact, any part of our portfolio, it has to fall in our overall risk-calibrated framework. So, whatever falls within that, we are really happy to do that. And, that 18.2% growth (in domestic wholesale banking) that we are seeing in the quarter, is part of that.

Viswanathan:

The other question I wanted to ask you was also with regard to the same sort of metric on retail. On one hand, yes, India's growth story is slightly disconnected from the global story that is playing out right now. But as and when the impact of these global trends come into India, a lot of retail customers, just like we have seen historically, could likely be affected deeply by any kind of recession. I am trying to understand: as a banker, how are you looking at this because retail has been one of those growth engines for the entire system?

Sandeep Batra:

No, I think, again, the answer is the same. The India story is slightly different from what is happening in the rest of the world. India is growing, though maybe at a slightly lower rate. Our retail portfolio has grown by about 23% year-on-year. So from our perspective, given whatever else has happened structurally, especially the bureau score, the discipline has come into place. We are fairly confident about the quality of the portfolio that we have built into. Anyway, from our perspective, for such kind of eventuality, we have created adequate contingency provision.

Viswanathan:

So this conservative sort of provisioning policy could help in case something happens.

Sandeep Batra:

What you are able to assess is your own risk parameters, get good quality of customers at this point of time, and offer them the best-in-class service. That's essentially what we are talking.

Moderator:

Our next question is from the line of Bhaskar Dutta from Business Standard. Please go ahead.

Bhaskar Dutta:

Do you have any plan for fundraising? Bond issuances in the pipeline at the moment? You had done an infra bond in December, if I remember correctly, but is there something which is lined up at the moment?

Sandeep Batra:

We keep evaluating this from time to time, Bhaskar. There is nothing specific, which I would call out at this point in time. But yes, we actively keep looking at it.

Bhaskar Dutta:

And one more thing: I think you had mentioned that your liquidity position is very comfortable. So could you give us some idea on what is the amount of excess SLR that you are sitting on at the moment?

Anindya Banerjee:

Liquidity takes multiple forms. I think, we had an average liquidity coverage ratio of 123% for the quarter compared to the minimum requirement of 100%. So that is an indicator, which is disclosed. We do not really talk about the excess SLR per se.

Moderator:

Our next question is from the line of Ritu Singh from CNBC TV18. Please go ahead.

Ritu Singh:

Mr. Batra, can you just go back to the provision question. You have explained that you wanted to increase it to be more conservative, also in line with RBI regulations. But, you also mentioned that there could be some stress in the macro environment. Any particular segments that you believe there could be a possibility of rising stress? Is it the corporate side, retail?

Sandeep Batra:

We have built a portfolio--whether it is retail, SME or corporate—entirely on a risk-calibrated equation. And, I have mentioned on the quality of the book, the ratings of the book, which are in the public domain. So we are very comfortable with the quality of the book.

This is for uncertain macro environment. As a prudent banker, we have made these provisions. That is about it.

Ritu Singh:

So anything unforeseen that happens?

Sandeep Batra:

That is right.

Ritu Singh:

Just one more thing-- on your BBB and below weighted book, which you have been having on for a while, it's come down to about ₹ 5,500 crore. But when do you expect it to completely wind down?

Sandeep Batra:

It is a very small number if you see it in the context of overall balance sheet. It is just about 0.5%. What do I comment on that?

Ritu Singh:

And any commentary you could give us in terms of where you are seeing credit demand pick up? In terms of credit demand, I wanted to understand where it is coming from. Also, the rising interest rates- are you seeing any impact on loan demand, say home loan?

Sandeep Batra:

No, not yet. Our retail book has grown by 23%, SME has grown by 25%, business banking, 37%. The corporate book is growing at 18%. Overall, domestic book has grown by about 21%. So, there is clearly demand across segments. It is more about the quality of the borrower, the quality of the business that person is doing, and they seem to be doing reasonably well.

Moderator:

We will take the next question from the line of Preeti Singh from Bloomberg. Please go ahead.

Preeti Singh:

All the numbers look really good, and the growth looks really good. I am just curious, is there a particular business that you are sort of focused on in the next quarter where you might put a bigger push or higher more...

Sandeep Batra:

I mean, as I have been saying it consistently, it is not about a category. It is about quality of the customer. Customers can come in, in any segment—retail, rural, business banking, corporate, etc. So we are consciously not going to be putting any targets on any segment. The only focus in getting good quality customers from any segment—that has been our strategy for many years. And it remains so.

Preeti Singh:

But, I am just curious about your hiring plans—is there like a certain kind of people that you are looking to hire or in a certain segment?

Sandeep Batra:

Our employee base is now about 1,17,000. We have added about 11,000 employees over the last nine months. We will hire whenever whatever is appropriate. And, this is in addition to the fact that we continue to invest in our technology and digital. So, whatever is required to serve our customers across the length and breadth of our country and across various segments, we will do that-- whether it's in terms of technology or people or in process.

Moderator:

Thank you. Ladies and gentlemen, that was the last question. 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.

Sandeep Batra:

Thank you and wish you a happy weekend.

ICICI Bank Limited

Earnings conference call - Quarter ended December 31, 2022 (Q3-2023)

January 21, 2023

Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Limited Q3 FY2023 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Bakhshi - Managing Director and CEO of ICICI Bank. Thank you and over to you, Mr. Bakhshi.

Mr. Bakhshi's opening remarks

Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q3 of FY2023. Joining us today on this call are Anup, Sandeep Batra, Rakesh, Anindya and Abhinek.

Amid the global uncertainties, India's GDP growth has been resilient. The pickup in economic activity is reflected in the expanding purchasing managers' indices, GST collections and other high frequency indicators. Financial stability has been maintained and inflation, though elevated, has moderated from its peak. We will continue to monitor these developments closely

At ICICI Bank, we aim to grow the core operating profit in a risk-calibrated manner through a 360-degree customer-centric approach and by focusing on ecosystems and micro-markets. We continue to operate within our strategic framework and strengthen our franchise, enhance our delivery and servicing capabilities and expand our technology and digital offerings.

Coming to the quarterly performance against this framework:

First- Growth in the core operating profit in a risk-calibrated manner through the focused pursuit of target market segments

The core operating profit increased by 31.6% year-on-year to 132.35 billion Rupees in this quarter. The profit after tax grew by 34.2% year-on-year to 83.12 billion Rupees in this quarter.

Second- Further enhancing our strong deposit franchise

Total period-end deposits grew by 10.3% year-on-year and 2.9% sequentially at December 31, 2022. Period-end term deposits grew by 14.2% year-on-year and 5.3% sequentially at December 31, 2022. During the quarter, the average CASA grew by 10.4% year-on-year and 2% sequentially. The liquidity coverage ratio for the quarter was about 123%.

Third- Growing our loan portfolio in a granular manner with a focus on risk and reward

The retail loan portfolio grew by 23.4% year-on-year and 4.5% sequentially at December 31, 2022. Including non-fund based outstanding, the retail portfolio was 44.9% of the total portfolio. The business-banking portfolio grew by 37.9% year-on-year and 5.2% sequentially. The SME portfolio grew by 25% year-on-year and 8.3% sequentially. The growth in SME and business banking portfolios was driven by leveraging our branch network and digital offerings such as InstaBIZ and Merchant Stack. The domestic corporate portfolio grew by 18.2% year-on-year and 4.7% sequentially at December 31, 2022 driven by growth across well-rated financial and non-financial corporates. The rural portfolio grew by 12.5% year-on-year and 3.8% sequentially. The domestic loan portfolio grew by 21.4% year-on-year and 4.2% sequentially. The overall loan portfolio grew by 19.7% year-on-year and 3.8% sequentially at December 31, 2022.

Fourth-Leveraging digital across our business

We continue to enhance our digital offerings and platforms to onboard new customers in a seamless manner and provide them end-to-end digital journeys and personalised solutions. These platforms also enable us to do cross sell and up sell. We have shared some details on our technology and digital offerings in slides 17 to 28 of the investor presentation.

Fifth - Protecting the balance sheet from potential risks

The net NPA ratio declined to 0.55% at December 31, 2022 from 0.61% at September 30, 2022 and 0.85% at December 31, 2021. During the quarter, there were net additions of 11.19 billion Rupees to gross NPAs, excluding write-offs and sale. The provisioning coverage ratio on NPAs was 82% at December 31, 2022. The total provisions during the quarter were 22.57 billion Rupees or 17.1% of core operating profit and 0.93% of average advances. This includes contingency provision of 15 billion Rupees made on a prudent basis. The Bank holds contingency provisions of 115 billion Rupees or about 1.2% of total loans as of December 31, 2022.

As we have mentioned during the previous earnings calls, we aim to be proactive in provisioning with a key objective of strengthening our balance sheet. During the quarter, we have changed our provisioning norms on non-performing assets to make them more conservative for corporate, SME and business banking. This change resulted in higher provisions amounting to about 11.96 billion Rupees in Q3-2023.

Sixth- Maintaining a strong capital base

The capital position of the Bank continued to be strong with a CET-1 ratio of 17.09%, Tier 1 ratio of 17.58% and total capital adequacy ratio of 18.33% at December 31, 2022, including profits for 9 months 2023.

Looking ahead, we will continue to focus on growing the core operating profit in a risk-calibrated manner. We will work as one team by facilitating cross-functional collaboration to tap into key customer and market segments, enabling 360-degree coverage and increase in wallet share. We will continue to make investments in technology, people, distribution and building our brand. The principles of "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 the brand ICICI. We aim to be the trusted financial services provider of choice for our customers and deliver sustainable returns to our shareholders.

I now hand the call over to Anindya.

Anindya's opening remarks

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

A. Balance Sheet growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 19.1% year-on-year and 4% sequentially. Auto loans grew by 22% year-on-year and 5.9% sequentially. The commercial vehicles and equipment portfolio grew by 3.4% year-on-year and 1.1% sequentially. Growth in the personal loan and credit card portfolio was 44.8% year-on-year and 7.2% sequentially. This portfolio was 1,154.78 billion Rupees or 11.9% of the overall loan book at December 31, 2022.

The overseas loan portfolio, in US dollar terms, declined by 22.1% year-on-year and 8.7% sequentially at December 31, 2022. The decline in the overseas book primarily reflects maturities of the short-term India-linked trade book. The overseas loan portfolio was about 3.6% of the overall loan book at December 31, 2022. The non-India linked corporate portfolio declined by 42.8% or about 285 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 86% comprises Indian corporates, 8% is overseas corporates with Indian linkage, 3% comprises companies owned by NRIs or PIOs and balance 3% is non-India corporates.

On the liabilities side, Sandeep covered the growth in deposits. During the quarter, we raised long-term infrastructure bonds as well as refinance borrowings from domestic financial institutions. Overseas borrowings declined reflecting the reduction in assets. We also had bond maturities arising out of older capital instruments during the quarter.

B. Credit quality

There were net additions of 11.19 billion Rupees to gross NPAs in the current quarter compared to 6.05 billion Rupees in the previous quarter. The net additions to gross NPAs were 9.75 billion Rupees in the retail, rural and business banking portfolios and 1.44 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 57.23 billion Rupees in the current quarter compared to 43.66 billion Rupees in the previous quarter. The gross NPA additions from the retail, rural and business banking portfolio were 41.59 billion Rupees and from the corporate and SME portfolio were 15.64 billion Rupees. There were gross NPA additions of about 6.72 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. Corporate and SME gross NPA additions includes 8.05 billion Rupees on account of borrowers that were under resolution at September 30, 2022. The Bank held about 35% provisions against these borrowers.

Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 46.04 billion Rupees in the current quarter compared to 37.61 billion Rupees in the previous quarter. There were recoveries and upgrades of 31.84 billion Rupees from the retail, rural and business banking portfolio and 14.20 billion Rupees from the corporate and SME portfolio. The gross NPAs written-off during the quarter were 11.62 billion Rupees. There was no sale of NPAs in the current quarter compared to 0.94 billion Rupees of NPAs sold on a cash basis in the previous quarter.

Net NPAs declined by 23.1% year-on-year and 7.3% sequentially to 56.51 billion Rupees at December 31, 2022.

The non-fund based outstanding to borrowers classified as non-performing was 38.69 billion Rupees as of December 31, 2022 compared to 35.16 billion Rupees as of September 30, 2022. The Bank holds provisions amounting to 19.93 billion Rupees as of December 31, 2022 against this non-fund based outstanding.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 49.87 billion Rupees or about 0.5% of the total loan portfolio at December 31, 2022 from 67.13 billion Rupees as of September 30, 2022. Of the total fund based outstanding under resolution at December 31, 2022, 41.90 billion Rupees was from the retail, rural and business banking portfolio and 7.97 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 15.29 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 34.6% year-on-year to 164.65 billion Rupees. The net interest margin was 4.65% in this quarter compared to 4.31% in the previous quarter and 3.96% in Q3 of last year. The net interest margin was 4.33% in 9 months of 2023. There was no impact of interest on income tax refund on net interest margin in the current quarter. The domestic NIM was at 4.79% this quarter compared to 4.45% in the previous quarter and 4.06% in Q3 last year. The cost of deposits was 3.65% in this quarter compared to 3.55% in the previous quarter. Of the total domestic loans, interest rates on 45% are linked to the repo rate, 4% to other external benchmarks and 21% to MCLR and other older benchmarks. The balance 30% of loans have fixed interest rates. The sequential increase in NIM reflects the impact of increase in interest rates on loan yields while repricing of deposits occurs with a lag. We expect to see the impact of repricing of deposits in future quarters.

Non-interest income, excluding treasury income, grew by 1.8% year-on-year to 49.87 billion Rupees in Q3 of 2023

- Fee income increased by 3.7% year-on-year to 44.48 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers grew by 7.3% year-on-year and constituted about 78% of the total fees in this quarter

- Dividend income from subsidiaries and associates was 5.16 billion Rupees in this quarter compared to 6.03 billion Rupees in Q3 of last year. The dividend income in Q3 of last year included interim dividend from ICICI Securities Primary Dealership.

On Costs: The Bank's operating expenses increased by 16.1% year-on-year in this quarter. Employee expenses increased by 17.6% year-on-year. The Bank had about 117,200 employees at December 31, 2022. The employee count has increased by about 15,300 in the last 12 months. Non-employee expenses increased by 15.4% year-on-year in this quarter primarily due to technology and retail business related expenses. Our branch count has increased by about 420 in the last twelve months and we had 5,718 branches as of December 31, 2022. The technology expenses were about 9.3% of our operating expenses in 9 months of this year compared to about 8.6% in FY2022.

The core operating profit increased by 31.6% year-on-year to 132.35 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit grew by 34.5% year-on-year.

There was a treasury gain of 0.36 billion Rupees in Q3 compared to a loss of 0.85 billion Rupees in Q2 and a gain of 0.88 billion Rupees in Q3 of the previous year.

The total provisions during the quarter, including impact of change in provisioning norms, were 22.57 billion Rupees, or 17.06% of core operating profit and 0.93% of average advances. These include contingency provisions of 15 billion Rupees made on a prudent basis.

The provisioning coverage on NPAs was 82% as of December 31, 2022. In addition, we hold 15.29 billion Rupees of provisions on borrowers under resolution. Further, the Bank holds contingency provision of 115 billion Rupees as of December 31, 2022. At December 31, 2022, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 213.40 billion Rupees or 2.2% of loans.

The profit before tax grew by 35.3% year-on-year to 110.14 billion Rupees in this quarter. The tax expense was 27.02 billion Rupees in this quarter compared to 19.47 billion Rupees in the corresponding quarter last year. The profit after tax grew by 34.2% year-on-year to 83.12 billion Rupees in this quarter.

The consolidated profit after tax grew by 34.5% year-on-year to 87.92 billion Rupees in this quarter.

D. Growth in digital offerings

Leveraging digital and technology across businesses is a key element of our strategy for 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 about 8.6 million activations of iMobile Pay by non-ICICI Bank account holders as of end-December. The value of transactions by non-ICICI Bank account holders in Q3 of this year was 2.3 times the value of transactions in Q3 of last year.

We have seen about 215,000 registrations from non-ICICI Bank account holders on InstaBIZ till December 31, 2022. The value of financial transactions on InstaBIZ grew by about 29.2% year-on-year in the current quarter.

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. About 71.2% of trade transactions were done digitally in Q3 of this year. The value of transactions done through these platforms increased by 59.3% year-on-year in Q3 of this year.

E. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 35 to 45 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 55.81 billion Rupees at December 31, 2022 compared to 76.38 billion Rupees at September 30, 2022 and 118.42 billion Rupees as of December 31, 2021. The sequential decline was primarily due to slippage of borrowers that were under resolution into NPA and a few repayments during the quarter. The amount of 55.81 billion Rupees at December 31, 2022 includes 8.79 billion Rupees of outstanding to borrowers under resolution.

The maximum single borrower outstanding in the BB and below portfolio was less than 5 billion Rupees at December 31, 2022. At December 31, 2022, we held provisions of 4.48 billion Rupees on the BB and below portfolio compared to 8.12 billion Rupees at September 30, 2022. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 765.4 billion Rupees at December 31, 2022 compared to 735.73 billion Rupees at September 30, 2022. The total outstanding loans to NBFCs and HFCs were about 7% of our advances at December 31. The sequential increase in the outstanding to NBFCs and HFCs was mainly due to disbursements to entities having longer vintage and entities owned by well-established corporate groups.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 360.11 billion Rupees at December 31, 2022 compared to 319.63 billion Rupees at September 30, 2022. The builder portfolio is about 3.4% of our total loan portfolio. Our portfolio is largely to well-established builders and this is also reflected in the sequential increase in the portfolio. 5.6% of our builder portfolio at December 31, 2022 was either rated BB and below internally or was classified as non-performing, compared to 6.8% at September 30, 2022.

F. Subsidiaries and key associates

The details of the financial performance of subsidiaries and key associates are covered in slides 49 to 51 and 70 to 75 in the investor presentation.

The value of new business margin of ICICI Life increased from 28% in FY2022 to 32% in 9 months of this year. The value of new business increased by 23.2% year-on-year to 17.1 billion Rupees in 9 months of this year. The annualized premium equivalent grew by 4.2% year-on-year to 53.41 billion Rupees in 9 months of this year. The profit after tax of ICICI Life was 5.76 billion Rupees in 9 months of this year compared to 5.69 billion Rupees in 9 months of last year and 2.21 billion Rupees in Q3 this year compared to 3.11 billion Rupees in Q3 last year.

The gross direct premium income of ICICI General increased by 16.9% year-on-year to 54.93 billion Rupees in Q3 of this year. The combined ratio was 104.4% in Q3 of this year compared to 104.5% in Q3 of last year. The profit after tax grew by 11% year-on-year to 3.53 billion Rupees in the current quarter.

The profit after tax of ICICI AMC was 4.2 billion Rupees in this quarter compared to 3.34 billion Rupees in Q3 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 2.81 billion Rupees in this quarter compared to 3.8 billion Rupees in Q3 of last year.

ICICI Bank Canada had a profit after tax of 11.5 million Canadian dollars in this quarter compared to 11.5 million Canadian dollars in Q3 last year and 12.0 million Canadian dollars in Q2 this year.

ICICI Bank UK had a profit after tax of 3.1 million US dollars this quarter compared to 3 million US dollars in Q3 of last year and 1.5 million US dollars in Q2 this year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.05 billion Rupees in the current quarter compared to 0.48 billion Rupees in Q3 of last year and 0.6 billion Rupees in Q2 this 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. First question is from the line of Mahrukh Adajania from Nuvama Wealth.

Mahrukh Adajania:

So I had a couple of questions. Firstly, that would you say that the sequential growth, because you lend to so many segments, the sequential growth has peaked at around, say, 4% Q-o-Q. Would that be a fair assumption? Because there will always be some moving parts. The sector growth is also on a very high base?

Anindya Banerjee:

No, I think it really can't be expressed in that way. There are, as you said, moving parts in different quarters. So for example, in this year, the festive season was kind of split between Q2 and Q3, it started a bit early. So some of the consumption-related growth would have happened partly in Q2 instead of happening fully in Q3.

The way we look at it, I think, in terms of, if you look at the granular portfolio, which is retail, business banking etc. the disbursement volumes are pretty much holding up and the loan growth will be really an outcome of that. So that's the way we would look at it.

Mahrukh Adajania:

And so if loan growth accelerates in the fourth quarter, would there be enough deposits? I know that you've done borrowings as well, but the deposit growth on an overall basis is 3%. So, on a sequential basis. I mean, would there be enough deposits to fund higher growth, how is the system shaping up?

Anindya Banerjee:
Yes. I think a lot of focus goes on this year-on-year deposit growth versus credit growth gap, which kind of misses the fact that the first 2 quarters of the calendar year were quarters when banks had and then ran down significant excess liquidity. Liquidity in the system itself has come down from INR 8 trillion to under INR 1 trillion. So it has to be seen in that context. I think the way we've analyzed it is if we look at the net increase in the balance sheet, say, in the third quarter, borrowings represent only about 10% or 11% of the funding accretion and the balance is really coming through deposits and equity or the profit generation. So we don't see deposits or funding as a constraint at all. During the quarter we have grown our total deposit base by over INR 300 billion and as we had mentioned last time, as the retail deposit rates have started moving up, we've seen a pretty healthy increase in the accretion to retail deposits and that momentum is continuing. So we are quite comfortable on the funding side. And for Q3, we had an LCR of 123% average for the quarter.

Mahrukh Adajania:

And my next question is on contingent provisions. So a few banks or at least two private banks have been telling us that they have some sort of a deadline from auditors or some sort of feedback from auditors that it has to be utilized within a certain period and therefore some of them are cutting down contingency provisions. So how does that work with you in terms of auditor's timeline because you're just building on the buffer?

Anindya Banerjee:

I'm not aware of such a requirement. The way we look at the contingency provisions is that we certainly see the various developments that are taking place both globally and in India that could impact various parts of the portfolio and then we do an analysis of the portfolio where there is no NPL development currently but the risk markers could be a little higher than the average and then that's how we kind of build-up on the contingency provision and that's something that we would keep revisiting every quarter as we've said earlier.

Moderator:

Next question is from the line of Jignesh from InCred Capital.

Jignesh:

I just had two questions itself. One, as I see it in the presentation the rise in cost of deposits sequentially has been somewhere around 10 bps, if I see it correct. How do you see that panning forward? How that particular trend looks to be? Second, your cost to income has seen a significant improvement of roughly around 38% right now, 38.2%. What kind of trajectory are you seeing up on this segment also if you can highlight?

Anindya Banerjee:

On the first question I think what has happened in this cycle is that the wholesale deposit rates moved up first pretty sharply starting from May and we have not been large takers in the wholesale deposit market. The retail deposit rates started moving much more gradually and much later. So the larger rise in retail deposit rates has come only actually from September onwards. So if you look at for example, the peak retail term deposit rate that we are offering today is about 115 basis points compared to what it was a quarter ago. So that is why the repricing of retail deposits is happening with a lag, these are more granular in any case so they do get repriced over a period of time but as I had mentioned in the opening remarks, we would expect to see the cost of deposits go up at a sharper pace going forward.

Jignesh:

And on the cost to income?

Anindya Banerjee:

On the second part, I think we don't really manage that ratio. We are looking at the overall PPOP and PPOP growth and we continue to invest in technology, branches and people. So as it happened this quarter the opex growth was a little lower on a year-on-year basis than the trend that we've seen over the last couple of quarters and so cost to income has come down to 38%. But it's going to be in that range I would say, around 40%. I don't think we are looking at any major moves there.

Jignesh:

One quick question on contingency provision, which is INR 115 billion right now as on December. Is there any target that this you want to introduce as a balance or it can vary every quarter? I mean any specific number in your mind? Or how does it work?

Anindya Banerjee:

No, we don't have any specific number in our mind. It's something that we keep assessing on a quarterly basis.

Moderator:

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

Manish Shukla:

First question is on loan-to-deposit ratio. If I were to adjust the historically high level of international loans probably on domestic book, you will be close to peak LDR that you have been. So going back to the earlier question, while I will appreciate the borrowing part, till what level are you seeing the LDR and beyond which deposit growth could start becoming a concern for loan growth?

Anindya Banerjee:

Yes, you are right. If you leave aside the overseas balance sheet, the loan-to-deposit ratio is at 85% and which is at the higher end of the historical range. But as I explained earlier, we don’t see the deposit growth really as a constraint. I think if you look at the accretion to deposits on a quarter-on-quarter basis, it has been going up quite smartly as we have moved the rates in line with the system broadly. We were slower in the initial part of the year because we had significant excess liquidity to start with.

But while there is a natural level at which the loan-to-deposit ratio will settle again, we don't over-worry about it because as we've mentioned in the past a three-month wholesale deposit makes that ratio lower, whereas a two-year refinance borrowing makes it higher. So we would look at the overall quality of funding. But all forms of wholesale funding are essentially the marginal source of funding. The core funding remains the retail deposits and we are seeing pretty healthy momentum there.

Manish Shukla:

Moving on to loan growth, if you look at it the personal and credit card book today is more than 21% and growing much faster than the overall loans. Is it fair to assume as long as the credit costs remain low you would still be okay if the share continues to rise?

Anindya Banerjee:

Yes we are quite comfortable with this portfolio and we have seen the borrower behavior through the COVID period as well and we have no concerns as such on this portfolio. If at all on the personal loan side, I think that concern is a little bit on the pricing where the market has become quite competitive. But from a credit perspective, we are very comfortable on both portfolios.

Moderator:

The next question is from the line of Adarsh from CLSA India.

Adarsh:

I just wanted to check on the fee growth. Is this 3% fee growth a fairly widespread representation of growth or because of third-party slower insurance, different elements would have a different growth trajectory? How does one see from a medium-term perspective?

Anindya Banerjee:

There are actually quite a few factors here, Adarsh. One, is that we don't particularly focus on it as a line item because we are focused on the overall PPOP, risk-calibrated PPOP growth as our guiding metric. If you look at the fee number for this quarter, again, there is some impact of the festival seasonality. There is, as you rightly pointed out a de-growth year-on-year in the third-party distribution led fees, which one would have to adjust for. In addition to that, I think if you look at a couple of other areas for example, the loan processing fee where there is, A, a competitive element and B, we also are more focused on making sure that we have the appropriate loan yield rather than maximizing upfront fees.

In certain products from our overall perspective of customer fairness, we have also rationalized or reduced substantially the exit penalties like the prepayment premiums and foreclosure charges on certain categories of loans, for example a personal loan or an auto loan which is at least somewhat seasoned or business banking where the borrower has been with us for a couple of years and for whatever reason wishes to exit, we would charge lower or no penalty is the way we would look at it because it is the borrower relationship which is important.

In all of these if we adjust the fee growth would be a few percentage points higher than what is the reported number. Having said that, of course, there are areas where we can do better for example, FX or transaction banking, these are some of the areas where we believe we have excellent platforms and we need to leverage those to grow our share and our revenue but that's the overall kind of range which we would get it. So it should hopefully improve from the current level over a period of time. But there are many things we are doing within that to make sure that rather than getting fixated on this number, we really manage it in a way that contributes to the sustainable growth of the franchise.

Adarsh:

My second last question is for FY2024 and FY2025, if you think about margins peaking about at some point, next year would be a relatively tough year from a core operating profits scenario. One can ignore it and say that let's look at two, three-year CAGR. The second is, do you have levers on the opex side, because the last two to three years opex post-COVID has been, there's been a lot of investment. So just wanted to understand if that lever can be of use when margins kind of normalize?

Anindya Banerjee:

This year, we are seeing the benefit of repo rate hike, while the interest costs are moving up only with some lag and that is leading to a higher operating profit growth than would have featured in anyone's projections or estimates and some of that will get adjusted next year. But we will see as we go along, it depends on how we look at incremental lending, funding and the levers that we have to try and optimize the balance sheet and of course, all other elements of the PPOP so we'll take that as it comes.

Adarsh:

Is opex the investments done in the last few years at a point where that could be a lever or continued investments would continue. So opex unlikely to be an ROE lever?

Anindya Banerjee:

I think it's a question of choice. It is a very controllable lever, a large part of it. But as we have said in the past, if for a couple of quarters opex growth is running ahead of revenue growth because we are continuing to invest in a sustainable way then we will not worry about it too much.

Moderator:

Next question is from the line of Saurabh from JPMorgan.

Saurabh:

Sir, two questions. One is through this quarter end LCR. And the second is, can you explain this provisioning tightening you have done in your corporate and SME business?

Anindya Banerjee:

We have not reported the quarter end LCR, the reporting is on a quarterly average basis, but I would say it would be broadly at similar levels. The trajectory that liquidity follows is typically pretty strong at month end, then during the month, deposit withdrawals happen, say on the savings side, in particular quarters there are advance tax outflows and so on when the system goes tight on liquidity and then it builds up again. That's why we look at the average but the quarter end would not be materially different from the reported number of 123% average for the quarter.

On the provisioning policy the RBI norms prescribe a minimum provisioning policy and on the retail and rural loans, we already follow a more conservative provisioning norm where we provide for NPAs on a more accelerated basis. For the corporate, SME and business banking portfolio we were applying the RBI norm and we thought that it would be prudent to do some acceleration there as well, both in terms of the period over which we reach 100% coverage and also in the earlier buckets.

Saurabh:

Sir, on your card spend market share, how you're thinking about it?

Anindya Banerjee:

We are focused on growing the profitable high-quality market share. I think we have seen a decline in our commercial card market share over the last couple of quarters in terms of spend but we are quite happy with the way our retail card spends are shaping up. Not targeting a particular level of market share overall but just looking at higher quality spend growth and that is broadly moving in line with what we would wanted to.

Moderator:

Next question is from the line of Abhishek from HSBC.

Abhishek:

The first question is actually if you could share some commentary on the loan growth outlook for FY2024. Do you think it will moderate from there or you can still look to deliver similar kind of growth? Also, what would be the role of capex next year? Do you think there's a real possibility of capex improving or it may not pick up from here?

Anindya Banerjee:

We will have to wait and see, because clearly on the corporate side the loan growth this year partly has come from because of the sharp pricing of liquidity and some shift from bond markets and so on. We have seen higher borrowings or higher appetite for borrowings from some of the segments like NBFC which explain a reasonable portion of the corporate loan growth. As I said, our feeling is that the retail loan volumes are quite steady. So that part of the growth should sustain. On the corporate side, we will have to wait and see. We will just look at our own analysis of risk reward and profitability and how to optimize our PPOP, that will be our guiding factor without targeting a particular level of loan growth. But on the retail SME business banking side, I don't see a challenge in the loan volumes.

On the capex, clearly a fair amount of capex is happening, which has been undertaken and funded by the government and the public sector. There is investment happening from the private sector in real estate and there is some amount of investment happening from the private sector in infrastructure and industrials as well. But so far it has not been of a level which would move the needle on domestic loan growth. We'll have to see how it shapes up. While it's good from a credit perspective the issue from a loan demand perspective is that most corporates are extremely well funded and liquid and are therefore, able to undertake some amount of investment without having recourse to banks. So what is coming to banks is more granular in nature.

Abhishek:

And assuming that this loan growth moderates a little bit next year. And you also, started to coincide with NIM normalizing as well. What can you do on the rest of the lines, like fee or cost to protect PPOP growth?

Anindya Banerjee:

We will see it as it comes. We're not seeing any sharp deceleration in loan growth. Our loan growth has been quite sustainably in the high teens. Of course, when the system loan growth itself, it reached mid to higher teens, it went about 20%. So it may come off a little, but that's okay. And we would look at ways to achieve a stable level of profitability. Current year's operating profit growth is, of course, much higher than what a normal level would be, because of a sharp rise in interest rates. But I think there are many levers available in the balance sheet and the P&L, which can be optimized.

Abhishek:

A very quick question on fees. I understand that you've changed a lot of rates on fees but from the current point onwards, should it track loan growth and loan mix? Or do you still see more fees getting rationalized and therefore, you could still continue to see some pressure on fee to assets or fee to loans?

Anindya Banerjee:

No, I don't think that it will reach the level of loan growth in a hurry.

Abhishek:

Okay. So basically, more rationalization could come?

Anindya Banerjee:

No, it's not a question of rationalization, there are many parts to the fee income. There is a part linked to cards and payments, there is a loan processing fee, there is FX, then there is the liability-related fees and third-party distribution. These would be the broad categories. Each of them has a different dynamic and a distinct influencing factors at various points in time and we have different strategies for each line item. So it's difficult to just link it to loan growth in that sense.

Moderator:

The last question is from the line of M.B. Mahesh from Kotak Securities.

M. B. Mahesh:

Two questions. One, if you just kind of call out, are you still seeing recoveries coming in from previously written-off accounts? And if that is moving still favourably in your provisioning lines?

Anindya Banerjee:

Yes, we have seen some recoveries coming in from the older NPLs that were then provided or may be partly written off and that has contributed to the lower provisions or actually, if you look at for this quarter, excluding the impact of the change in norms and the contingency provision, we have a net write-back of about INR 4.4 billion. We have seen one or two large corporate recoveries.

M.B. Mahesh:

If you keep interest rates where they are today, when does cost of funds start hitting as you go forward? And if yes, how should we model over the next few quarters on this number?

Anindya Banerjee:

It is difficult for me to say how you should model it. But my guess is that it should start showing up to some extent in Q4 and more so in Q1.

M.B. Mahesh:

And how much of headroom you have available on the yield side, if interest rates are where they are today?

Anindya Banerjee:

We would have for Q4, the December hike will play out over Q4 for us.

M.B. Mahesh:

And you're saying that the peak cost of funds starts hitting you from Q1 of next year?

Anindya Banerjee:

Yes, it will happen over a period of time. And of course, the balance sheet doesn't remain static in that sense. We also have some ability to manage assets and liabilities, investment portfolio and so on.

Moderator:

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

Anindya Banerjee:

Thank you all for sparing time on a Saturday evening and my colleagues and I are available for any further questions. Thank you.

Moderator:

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