October 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 Call with Media and of Earnings Call with analysts and investors on the financial results for the quarter and six months ended September 30, 2023.

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

Sr. No	**Particulars**	**Link**
1.	Transcript of the Media Conference Call	https://www.icicibank.com/about-us/article/interaction-with-media-on-icici-banks-financial-performance-in-the-quarter-ended-september-30-2023
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
Date: 2023.10.27 16:33:40 +05'30'

Vivek Ranjan
Assistant General Manager

Encl.: As above

Copy to-
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ICICI Bank Limited

Media conference call for quarter ended September 30, 2023

on October 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 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:

Thank you all for joining us today. Good evening everyone. Joining me today for this call is our Group Chief Financial Officer- Anindya Banerjee. Thank you all for joining us today.

The Indian economy continued to be resilient amidst the uncertainties in the global environment. This has been enabled by effective and forward looking policies and actions by the government and other authorities. The underlying growth momentum is visible with expansion in manufacturing and services PMI, real estate buoyancy, increasing steel and cement output, higher tax collections and rising demand for travel. The Government led capex cycle is continuing. Though there has been a pause in the policy rate hike cycle in India, global and domestic inflation, and the liquidity and rate environment continue to evolve.

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 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 September 30, 2023. I would like to highlight some key numbers. First of all we talk about profit and capital.

A. Profit and capital

1. Core operating profit less provisions, that is, profit before tax excluding treasury, grew by 35.7% year-on-year to ₹ 13,731 crore in Q2-2024
2. Core operating profit grew by 21.7% year-on-year to ₹ 14,314 crore in Q2-2024; excluding dividend income from subsidiaries/associates, core operating profit grew by 22.9% year-on-year in Q2-2024
3. Net interest income increased by 23.8% year-on-year to ₹ 18,308 crore in Q2-2024
4. The net interest margin was 4.53% in Q2-2024 compared to 4.78% in Q1-2023 and 4.31% in Q2-2023. Net interest margin was 4.65% in H1-2023
5. Fee income grew by 16.2% year-on-year to ₹ 5,204 crore in Q2-2024
6. The profit after tax grew by 35.8% year-on-year to ₹ 10,261 crore in Q2-2024

7. The consolidated profit after tax grew by 36.1% year-on-year to ₹ 10,896 crore in Q2-2024
8. The standalone RoE was 19.1% in Q2-2024
9. At September 30, 2023, the Bank had a net worth over ₹ 2.1 lakh crore. Including profits for H1-2024, CET-1 ratio was 16.77%, Tier 1 ratio was 16.86% and total capital adequacy ratio was 17.59%

B. Deposit growth

1. Total period-end deposits increased by 18.8% year-on-year to ₹ 12,94,742 crore at September 30, 2023
2. Period-end term deposits increased by 31.8% year-on-year to ₹ 7,67,112 crore at September 30, 2023. Period-end term deposits increased by ₹ 64,601 crore in Q2-2024
3. Average current account deposits increased by 14.0% year-on-year
4. Average savings account deposits increased by 4.5% year-on-year
5. The Bank opened 174 branches during Q2-2024, 634 branches in the last 12 months and had a network of 6,248 branches and 16,927 ATMs and cash recycling machines at September 30, 2023
6. The Bank added about 4,000 employees in Q2-2024 and about 29,000 employees in the last 12 months and had about 1,39,000 employees at September 30, 2023. Moving to loan growth.

C. Loan growth

1. The domestic loan portfolio grew by 19.3% year-on-year and 4.8% sequentially at September 30, 2023
2. The retail loan portfolio grew by 21.4% year-on-year and 5.5% sequentially. Including non-fund outstanding, the retail loan portfolio was 46.0% of the total portfolio. The business banking portfolio grew by 30.3% year-on-year and 10.6% sequentially. The SME business, comprising borrowers with a turnover of less than 250 crore Rupees, grew by 29.4% year-on-year and 7.2% sequentially. The rural portfolio grew by 17.3% year-on-year and 3.5% sequentially. Growth in the domestic corporate portfolio was 15.3% year-on-year and 3.1% sequentially at September 30, 2023

3. 71.3% of the total loan portfolio, excluding, retail and rural, was rated A- and above at September 30, 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-September 2023.
3. The Merchant STACK offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions, connected banking services and digital store management, among others.
4. The value of the Bank's merchant acquiring transactions through UPI grew by 69.5% year-on-year and 13.9% sequentially in Q2-2024. The Bank had a market share of about 30% by value in electronic toll collections through FASTag in Q2-2024, with a 15.4% year-on-year growth in collections.
5. The Bank has created more than 20 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. The Bank's Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. The Banks' digital solutions integrate the export transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. During the quarter, ICICI Bank participated in the industry first trade finance transaction using blockchain-powered technology by transforming the time consuming, paper intensive cross border trade to a real time electronic Bill of Lading in a trusted and secure environment. About 71% of trade transactions were done digitally in Q2-2024. The volume of transactions done through Trade Online and Trade Emerge platforms in Q2-2024 grew by 29.7% year-on-year.

E. Asset Quality

1. The net NPA ratio was 0.43% at September 30, 2023, compared to 0.48% at June 30, 2023 and 0.61% at September 30, 2022
2. During Q2-2024, there were net additions to gross NPAs of ₹ 116 crore
3. The gross NPA additions were ₹ 4,687 crore in Q2-2024. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 4,571 crore in Q2-2024
4. The gross NPAs written off were ₹ 1,922 crore in Q2-2024
5. There was sale of NPAs worth ₹ 179 crore in the current quarter
6. The provisioning coverage ratio on NPAs was 82.6% at September 30, 2023
7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹ 3,536 crore or 0.3% of total advances at September 30, 2023 from ₹ 3,946 crore at June 30, 2023. The Bank holds provisions amounting to ₹ 1,107 crore against these borrowers under resolution, as of September 30, 2023
8. The loan and non-fund based outstanding to performing borrowers rated BB and below was ₹ 4,789 crore at September 30, 2023 compared to ₹ 4,276 crore at June 30, 2023
9. The total provisions during the quarter were ₹ 583 crore, or 4.1% of core operating profit and 0.2% of average advances. The Bank continues to hold contingency provisions of ₹ 13,100 crore at September 30, 2023

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

With this, I conclude my 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 a question may press star and '1' on the telephone. If you wish to remove yourself from the question queue, you may press star and '2'. Today's announcement is on the Banks' 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 Vishwanath Nair from BQ Prime. Please go ahead.

Vishwanath Nair:

Good Afternoon, Mr. Batra. The question I had was with regards to the gross additions to NPAs during the quarter. After a while, I've seen a positive addition net to the gross NPA of about ₹ 116 crore. The number is marginal, but still, the fact that you have lost the business habit that exceeded your recoveries and write-offs. If this was just a one-off, or are you expecting any more? The second question I have was with regard to your unsecured retail portfolio. The numbers are not given in the press statement, but we just wanted to get a sense as to what the asset quality outlook on that is, considering that the regulator is raising this issue at a press conference.

Sandeep Batra:

Thank you Vishwanath. I think I will just reiterate the numbers as far as the NPA movement is concerned. We had a gross additions of about ₹ 4,600 crore. This is lower than previous quarter of ₹ 5,300 crore. Within that, the corporate and SME was a small amount of ₹ 323 crore and retail and rural was about ₹ 4,364 crore. During the quarter, the numbers are slightly lower because of the seasonality on the rural businesses. Q2 is normally lower and you would have noticed that the numbers were slightly higher in the first quarter. In terms of recoveries, the corporate and SME book, we had a recovery of about ₹1,500 crore and the retail and rural and business banking was about ₹ 3,000 crore and that is how the total leads to about ₹ 116 crore. So, we continue to monitor it. It is a significantly low number. As far as recoveries are concerned, I think it's very difficult to give an outlook. We continue to focus on, building a quality book as far as the current portfolio is concerned and, wherever opportunities come from the written-off book, etc. We take steps to sort of recover them. But that's an ongoing journey.

Your second questions is on the unsecured NPAs. The unsecured portfolio comprises of personal loans and credit card portfolio and it's about 13.3% of our total portfolio. The CF portfolio has increased by about 40% year-on-year and about 10.2% sequentially, while for credit cards, the same has increased by about 30% year-on-year and 6.2% sequentially. So it has been built with our core principles of return of capital and harnessing ecosystems and, I think we have been saying this for a lot of time. For us, the customer is more important than the product and, most of the increases have been for portfolios where there have been existing relationships. Almost 85% of the portfolio comprises salaried employees with customers being employed with the reputed corporates, MNCs, government entities, PSUs, defence, etc. All of them having a largely stable income. So, we keep monitoring the personal loan and credit card portfolio that are sub-segment level, to identify possible risk buildups. Based on the current overdue trends, the CIBIL distribution, the delinquency levels of the portfolio are all within the defined risk threshold. We have continued to monitor these developments in the job market for any identifiable weaknesses and leverages that have been built up. I think you rightly pointed out that both from a regulator and analyst and research report have indicated a slightly higher risk in unsecured portfolio, especially on the personal loan. However, the risk buildup is happening in segments in low-ticket size, which is ₹ 50,000 and below, where affordability and the repayment capacity might be constrained. As far as the Bank is concerned, we do not have any meaningful presence in this segment. Another indicator of this buildup is the number of live unsecured loans, which are being serviced by borrowers, wherein the Bank may take necessary steps by restricting origination of such customers. As far as we are concerned, we will continue to monitor these portfolios and give loans only to customers, which fall within our risk thresholds. And that is a strategy we have been articulating for a long period of time.

Vishwanath Nair:

Apologies, I did not get the amount, what you said, the segment where the risk is emanating?

Sandeep Batra:

No, there is no risk. I was talking of the risk emanating from a larger industry perspective. So as far as our portfolio is concerned, we have got a pretty stable trend. If you see the personal loan book is about ₹ 1 lakh crore as of September 30 and a credit card outstanding is about ₹ 43,000 crore and, I gave out the increase, which has happened during the current quarter. So we are quite happy with the quality of the portfolio that we are doing. As you are aware, we have got a very tight provisioning policy. In case there is a delinquency or any overdue, which gets built up, it starts impacting, we ensure that it is written off pretty fast.

Vishwanath Nair:

Thanks.

Moderator:

Thank you. The next question is from the line of Joel Rebello from Economics Times. Please go ahead.

Joel Rebello:

I just want to clarify. You said your personal loan portfolio is ₹ 1 lakh crore and credit card is ₹ 33,000 crore?

Sandeep Batra:

No, no, credit card is ₹ 43,230 crore to be precise. Personal loan is ₹ 1,04,428 crore.

Joel Rebello:

Okay, first question is about your slippage. If you could give us more colour, for example, I don't know what was the gross additions or net addition to NPA one year ago, how is the trend been for you all? I know you've given some details on, with the most of it is coming from retail and agri but some more colour on the slippage and what you expect?

Sandeep Batra:

In addition to what I've already said, I'll probably give you a colour of what happened in Q2 2023. The net additions in Q2 2023 were about ₹ 600 odd crore. In Q2 2024, the net addition has been just about ₹ 116 crore. So that's a very small number given the size of our balance sheet. The gross additions during the quarter were ₹ 4,687 crore. The recoveries were ₹ 4,571 crore. Amongst the recoveries, the retail recovery was about ₹ 3,000 crore, and corporate and SMEs were ₹ 1,500 crore. So if you're talking about the slippages, the retail and rural, there was a slippage of about ₹ 4,300 crore. This is in comparison with about ₹ 5,072 crore in the previous quarter and about ₹ 3,600 in the Q2

2023. So the numbers are fairly good in the overall context and we continue to monitor this very carefully.

Anindya Banerjee:

Just to add, if we were to look at it kind of on a sequential basis, the retail, SME, business banking, NPA addition has been stable to marginally lower. On the rural side, as you are given, because the NPL classification is linked to due dates related to the cropping cycle, typically we see the NPL formation only in the first and third quarters of the year. So in the current quarter, there has been very little. And on the corporate side, we have not been seeing really any NPL formation to speak of. In the current quarter, relative to the previous quarter, we had significant recoveries and upgrades on the corporate portfolio, which is why on an overall basis compared to net addition to gross NPL of about ₹ 1,800 crore in the first quarter, in this quarter it has come down to only ₹ 116 crore.

Joel Rebello:

My second question is with regards to digital banking. The RBI has very recently stopped the PSU bank from onboarding new customers on the digital app. This is one of the actions that the RBI has taken, they have taken more action previously. Do you think, that there could be a change in the way you all do digital onboarding, digital banking, because of this? Do you think there has to be some kind of regulation? Your thoughts on what could be the impact of this? Whether you all will have to relook at how you all do your business on the digital side.

Sandeep Batra:

This is not really related to the Q2 numbers. But we do keep testing our own apps from a security angle and we continue to focus on the cyber security and want to ensure that our customers are always comfortable in using our app and we will continue to remain focused on it.

Joel Rebello:

Okay, sir. All the best, thank you.

Moderator:

Thank you. We have our next question from Hamsini Karthik from The Hindu Business Line. Please go ahead.

Hamsini Karthik:

Sir, I have two questions. One with respect to your corporate book, corporate SME and Business Banking, they have shown an improvement in growth as well. And today, if we look at the overall mix of the Bank from what was tilted to 60:40 a couple of years back, just about two years or so, is now gradually moving to a 54:45 kind of ratio. Do we believe that the Bank is once again seeing strong pockets of growth opportunities rather on the corporate side, on the business banking side, etc?

Sandeep Batra:

Hamsini, I think we have been saying that we look at opportunities across whether it is state, rural, business banking, SME, and of course the wholesale banking that you referred to. I think our growth reflects the opportunities that we see in the respective markets. As long as we meet our risk appetite numbers, I think we are happy to grow that business. As you are aware, corporate India has leveraged over the last two years and has strong balance sheets. However, it's good to see some capacity utilisation of sector and we will continue to look at opportunities across sectors and whenever we get opportunities, we'll be happy to lend. So we do not drive a particular mix. We are focused on serving all segments of our customers within our own risk appetite framework.

Hamsini Karthik:

Okay, sir. If I can just ask to understand a little more on what you just spoke, can you give me at least in the fresh disbursals in the last one year or so? What would be the mix of working capital plus term loan proportion?

Sandeep Batra:

Hamsini, we don't give that split. As you are aware, our domestic and corporate book is about ₹ 2,48,000 crore. This, of course, excludes the non-fund based. I think currently, if you have questions around the capex cycle, etc, the capex cycle, you are aware, is being largely funded by government and PSU. Private sector, we have seen a lighter capex and mostly happening on infrastructure and industrial sites. But we'll have to wait and watch how it shapes up going forward. As you are aware, as I did mention earlier as well, the corporates have relatively strong balance sheets and are able to undertake incremental brownfield investment from internal approvals and without having to take on recourse to banks. So that is from a larger angle. For us, we will remain true to the core strategy of ensuring that we lend within our risk appetite framework and we are agnostic to where this comes from.

Hamsini Karthik:

Okay, sir. My second question is with respect to the penalty that RBI has imposed on the Bank, ₹ 12.2 crore approximately. There are, the report also mentioned that there are two directors of the Bank who were directors at the company where fraud was detected. Do these directors continue to sit on the Boards of the Bank? Would there be any monitoring of the action?

Sandeep Batra:

Hamsini, there were no frauds detected, please. There were just no frauds that I want to clarify and make that very categorical. These emanated from regulatory inspections supervisory and evaluation for FY'20 and 21. We respect RBI's observation and we have already taken corrective actions.

Hamsini Karthik:

Would it pertain to a ban instance and should we believe that every bit of that is now sort of built into the financials, we shouldn't expect any fresh hit to the P&L because of this?

Sandeep Batra:

Which is true. I mean, there is a supervisory evaluation, which happens on a periodical basis. And if there is a view which RBI has, in terms of if we have not met a particular kind of guidelines, then there are actions, which they do and we have, as I have mentioned, even at the time of release of this report, we have taken all corrective actions and frankly we really don't have anything more to add to that.

Hamsini Karthik:

Thank you, sir. Thank you.

Moderator:

Thank you. The next question is from Mayur Shetty from Times of India. Please go ahead.

Mayur Shetty:

Hi, Sandeep. Thanks, my question has partly been answered, so I ask an additional question on this unsecured loan. So, you said that what the industry is seeing is in this low, small ticket personal loans, and that's the segment you're not present in at all?

Sandeep Batra:

Mayur, I have focused on what my portfolio is, and what I did mention was about some of the reports which did mention that the unsecured loan where the risk is building up is essentially on low ticket size as well as where affordability and repairment capacity might be constrained. As I mentioned earlier, we do not have any meaningful presence in this segment. And another aspect of risk buildup of whatever we have analysed in the overall macro system is that some of these borrowers will be sort of over leveraged and take multiple loans. So, we keep looking at our portfolio and we take every risk indicator at the macro basis seriously, we analyse it, we look at our own book, and at this point of time we are quite happy with the quality of the book that we have written. As I did mention, for us we have probably one of the very tight provisioning policies on unsecured books. Within 120 days of overdue we just write it off. So, if there is any risk growing up, it sort of shows very fast. So, at this point of time while we will continue to monitor, and whenever we see any risk building up in any particular segment, we will sort of recalibrate our portfolio. But at this point of time, we are quite happy with what we have built and the growth that we have delivered.

Mayur Shetty:

And is the Bank doing any larger project finance at all now?

Sandeep Batra:

Mayur, as I did explain, it is a function of assessment of credit. So, as you are aware, the larger capex are actually being taken up by government and PSUs in the overall sector. So, for us we will fund any financially viable project and whenever it comes, we are happy to fund it. What is happening on a macro basis is, as I talked about earlier that most of the corporates are fairly de-leveraged. They have a large cash accrual, which is coming to them, and they do prefer to use their, the incremental investments that they have in terms of Brownfield projects and use internal accruals to the maximum extent. If they need borrowing, then if you find that the projects are bankable, we are more than happy to fund them.

Moderator:

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

Preeti Singh:

Thank you. Hi, sir. So, I saw that the NIMs have declined to 4.53 and I noticed you said earlier that in April that we were at the peak of NIMs. Do you expect any further narrowing of NIMs and if so, what do you expect to close the year with?

Sandeep Batra:

Preeti, I'll give a similar response which I gave last time. We did mention at the last quarter itself. For the full year, we will have a NIM margin, which is very similar to what we had for the last full year. The sequential decline in NIM, as you are aware is the lagged impact of term deposits increase over last year. The increase in cost of deposits during the quarter largely reflects the increase in term deposits over last year. Though the rate of incremental rate deposits has largely stabilised. We expect the decrease in NIM to moderate over coming quarters. Well, beyond that, I think we will continue to optimise NIMs through asset liability and management levels, which are all within, whatever is there within our overall control. Anyway, the decline in NIM has been sort of offset by healthy growth in the loan portfolio and the fee income. So, for our focus, we're going to be continuing to focus on in a sustainable way.

Preeti Singh:

Got it. And sir the other question I had was on the growth in savings and current accounts that seems to be way lower than your peers. Could you help us understand what steps you are taking to ensure that you get more of these lower costing deposits?

Sandeep Batra:

Preeti, we are focused on than period and numbers, rather than on an average basis. If I look at our average numbers, we have had an increase of about 7.1% in year-on-year and about 1.1% in Q2 2024. So, the period and numbers are generally volatile. From our perspective, we look at the total liability franchise, which the customer does which includes term deposits, CA and SA. And if you see, the difference between the savings accounts and the FD rates have sort of increased over the last few years. So naturally, the tendency for the customers is to have higher amount of retail deposits. As you are aware, we have seen a very strong traction and momentum in retail deposits, resulting in a growth of about 31.8% year-on-year and 9.2% sequentially. So from our perspective, we are really looking at the total deposits which include CA, SA and deposits and the overall cost of deposits is also an important factor. We are quite happy with the progress that we have made considering all the factors put together.

Preeti Singh:

Okay, thank you.

Moderator:

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

Ashish Agashe:

Thank you so much, sir. So, this was just in follow-up to Mayur sir's question on capex. So, when do you prospectively see sort of some demand on the private capex front and some of it translating into lending opportunities for banks like yours?

Sandeep Batra:

Ashish, as I have been saying, I think, the demand has to get created by the corporate India. For us, we will focus on what is within our risk appetite and we will be happy to fund it. We are not fixated about whether lending is happening within the corporate or SME or retail. Wherever there is growth, we are happy to fund it. In fact, if there is growth on the retail segment, we are there. The SME segment and business-banking segment has been doing very well from a country perspective and we have been growing that in a very healthy fashion. And even amongst the corporate world, we are able to do things which are from a risk adjusted basis, this is doing well. In fact, this is not about the capex demand. If corporate India is so cash rich and generating internal accruals, they may not need so much of funds until the cycle picks up significantly. So, whenever it happens, we will be there and happy to support that funding.

Ashish Agashe:

Okay, sir. Sir, what was the home loan growth during this quarter and especially in the

Moderator:

Ashish, sorry to interrupt you, but we are losing your audio. May I request you to speak through the handset, please.

Ashish Agashe:

Sound is better now sir?

Sandeep Batra:

Yes, you talked of growth of which segment?

Ashish Agashe:

Home loans, home loans segment

Sandeep Batra:

Home loans grew by about 16.2% during the year-on-year growth for this quarter.

Ashish Agashe:

Okay, sir. And sir, if you can provide some colour on the competitive intensity, given that, the merger with a larger peer basically got through just in July

Sandeep Batra:

So, the two entities were there. As far as we are concerned, we are focused on our own business and we are happy with the growth that is happening.

Ashish Agashe:

Okay, sir. And final small question, sir, on the contingent provisions which you are carrying, you continue to carry or like was there any drawdown or anything of that sort, sir this quarter?

Sandeep Batra:

We did not draw down anything, Ashish. We continue to carry ₹ 13,100 crore of provisions.

Ashish Agashe:

Okay, thank you so much.

Moderator:

Thank you. We will take the last question from the line of Kshipra Petkar from The Informist. Please go ahead.

Richard Fargose:

Not Kshipra, Richard here. Sir, I just want to know how much of your portfolio is repo linked and how much is MCLR linked?

Sandeep Batra:

Repo is about 48% and MCLR is about 18% and the fixed interest rate portfolio is about 31%.

Richard Fargose:

Sir, how much do you think the further rise in deposit rates sir, how much basis one would say factoring in now?

Anindya Banerjee:

We don't really have a given outlook on deposit rates. I think the retail deposit rates have been more or less stable for the last couple of quarters or a little more than that. Wholesale rates, I think, move up and down in line with overall systemic liquidity. So, there has been some hardening, I would say, towards the end of the second quarter and subsequently, but that we will see as it goes. But on the retail side, so the rates have been reasonably stable. We will have to see how things evolve.

Moderator:

Thank you. As there are no further questions, 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.

Analyst call on October 21, 2023: 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 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.

Ladies and gentlemen, good day and welcome to the ICICI Bank Q2 FY24 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. Sandeep Bakhshi:

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q2 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Anindya and Abhinek.

The Indian economy continued to be resilient amidst the uncertainties in the global environment, reflecting the actions and initiatives of the policymakers. The underlying growth momentum is visible with expansion in manufacturing and services PMI, real estate buoyancy, increasing steel and cement output, higher tax collections and demand for travel. The Government led capex cycle is continuing. Though there has been a pause in the policy rate hike cycle in India, global and domestic inflation, and the liquidity and rate environment continue to evolve.

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

The profit before tax excluding treasury grew by 35.7% year-on-year to 137.31 billion Rupees in this quarter. The core operating profit increased by 21.7% year-on year to 143.14 billion Rupees in this quarter. The profit after tax grew by 35.8% year on-year to 102.61 billion Rupees in this quarter.

Total deposits grew by 18.8% year-on-year and 4.5% sequentially at September 30, 2023. Term deposits increased by 31.8% year-on-year and 9.2% sequentially at September 30, 2023. During the quarter, the average current and savings account deposits grew by 7.1% year-on-year and 1.1% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 122%.

The domestic loan portfolio grew by 19.3% year-on-year and 4.8% sequentially at September 30, 2023. The retail loan portfolio grew by 21.4% year-on-year and 5.5% sequentially. Including non-fund based outstanding, the retail portfolio was 46.0% of the total portfolio. The business banking portfolio grew by 30.3% year-on-year and 10.6% sequentially. The SME portfolio grew by 29.4% year-on-year and 7.2% sequentially. The rural portfolio grew by 17.3% year-on-year and 3.5% sequentially. The domestic corporate portfolio grew by 15.3% year-on-year and 3.1% sequentially. The overall loan portfolio including the international branches portfolio grew by 18.3% year-on-year and 5.0% sequentially at September 30, 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 declined to 0.43% at September 30, 2023 from 0.48% at June 30, 2023 and 0.61% at September 30, 2022. During the quarter, there were net additions of 1.16 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 5.83 billion Rupees or 4.1% of core operating profit and 0.2% of average advances. The provisioning coverage ratio on NPAs was 82.6% at September 30, 2023. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.2% of total loans as of September 30, 2023.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.77%, Tier 1 ratio of 16.86% and total capital adequacy ratio of 17.59% at September 30, 2023, including profits for H1-2024.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360, extensive franchise and collaboration within the organisation, backed by our digital offerings, 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.

Mr. Anindya Banerjee:

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

A. Loan growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 16.2% year-on-year and 4.1% sequentially. Auto loans grew by 24.1% year-on-year and 5.5% sequentially. The commercial vehicles and equipment portfolio grew by 12.3% year-on-year and 4.5% sequentially. Personal loans grew by 40.4% year-on-year and 10.2% sequentially and the credit card portfolio grew by 29.5% year-on-year and 6.2% sequentially. The personal loans and credit card portfolio were 9.4% and 3.9% of the overall loan book respectively at September 30, 2023.

The overseas loan portfolio, in US dollar terms, declined by 6.3% year-on-year at September 30, 2023. The overseas loan portfolio was about 3.3% of the overall loan book at September 30, 2023. The non-India linked corporate portfolio declined by 26.9% or about 115 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 90% comprises Indian corporates, 6% is overseas corporates with Indian linkage, 2% comprises companies owned by NRIs or PIOs and balance 2% is non-India corporates.

B. Credit quality

There were net additions of 1.16 billion Rupees to gross NPAs in the current quarter compared to 18.07 billion Rupees in the previous quarter. The net additions to gross NPAs were 13.45 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 12.29 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 46.87 billion Rupees in the current quarter compared to 53.18 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 45.71 billion Rupees in the current quarter compared to 35.11 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 43.64 billion Rupees in the current quarter compared to 50.72 billion Rupees in the previous 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 30.19 billion Rupees compared to 31.40 billion Rupees in the previous quarter. The gross NPA additions from the corporate and SME portfolio were 3.23 billion Rupees compared to 2.46 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 15.52 billion Rupees compared to 3.71 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 19.22 billion Rupees. There was sale of NPAs worth 1.79 billion rupees in the current quarter compared to no sale in the previous quarter. The sale of NPAs includes 0.14 billion rupees in cash and 0.53 billion rupees of security receipts. As these NPAs were fully provided, we continue to hold provisions against security receipts.

The non-fund based outstanding to borrowers classified as non-performing was 38.86 billion Rupees as of September 30, 2023 compared to 37.04 billion Rupees as of June 30, 2023. The Bank holds provisions amounting to 20.64 billion Rupees against this non-fund based outstanding.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 35.36 billion Rupees or about 0.3% of the total loan portfolio at September 30, 2023 from 39.46 billion Rupees at June 30, 2023. Of the total fund based outstanding under resolution at September 30, 2023, 30.00 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 11.07 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 23.8% year-on-year to 183.08 billion Rupees. The net interest margin was 4.53% in this quarter compared to 4.78% in the previous quarter and 4.31% in Q2 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 nil in Q2 of this year compared to 3 basis points in the previous quarter and no impact in Q2 of last year. The domestic NIM was at 4.61% this quarter compared to 4.88% in the previous quarter and 4.45% in Q2 of last year. The cost of deposits was 4.53% in this quarter compared to 4.31% in the previous quarter, reflecting primarily the increase in term deposit rates over the last year, though rates on incremental retail term deposits have largely stabilized. Of the total domestic loans, interest rates on 48% are linked to the repo rate, 3% 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 14.0% year-on-year to 58.61 billion Rupees in Q2 of 2024

- Fee income increased by 16.2% year-on-year to 52.04 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 78% of the total fees in this quarter.

- Dividend income from subsidiaries and associates was 6.48 billion Rupees in this quarter, same as in Q2 of last year.

On Costs: The Bank's operating expenses increased by 20.8% year-on-year in this quarter. Employee expenses increased by 29.0% year-on-year in this quarter. The Bank had about 139,000 employees at September 30, 2023. The number of employees has increased by about 29,000 in the last 12 months. Non-employee expenses increased by 16.3% year-on-year in this quarter primarily due to retail business related and technology expenses. Our branch count has increased by 174 in Q2-2024 and we had 6,248 branches as of September 30, 2023. The technology expenses were about 9.2% of our operating expenses in H1 of this year.

The core operating profit increased by 21.7% year-on-year to 143.14 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit grew by 22.9% year-on-year.

The total provisions during the quarter were 5.83 billion Rupees, or 4.1% of core operating profit and 0.2% of average advances compared to 12.92 billion Rupees in the previous quarter. The sequential decline in provisions reflects higher NPA additions from kisan credit card portfolio in Q1 of this year, and corporate recoveries and upgrades as well as recoveries from written-off accounts. The provisioning coverage on NPAs was 82.6% as of September 30, 2023. In addition, we hold 11.07

billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of September 30, 2023. At the end of September, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 229.10 billion Rupees or 2.1% of loans.

The profit before tax excluding treasury grew by 35.7% year-on-year to 137.31 billion Rupees in Q2 of this year.

There was a treasury loss of 0.85 billion Rupees in Q2 similar to Q2 of the previous year.

The tax expense was 33.85 billion Rupees in this quarter compared to 24.78 billion Rupees in the corresponding quarter last year. The profit after tax grew by 35.8% year-on-year to 102.61 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-September 2023.

Our merchant STACK offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions, connected banking services and digital store management, among others.

We have created more than 20 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. Our Trade Online and Trade Emerge platforms allow customers to perform most of their trade finance and foreign exchange transactions digitally. Our digital solutions integrate the export transaction lifecycle with bespoke solutions providing frictionless experience to our clients and simplify customer journeys. About 71% of trade transactions were done digitally in Q2 of this year. The volume of transactions done through Trade Online and Trade Emerge platforms in Q2-2024 grew by 29.7% year on-year.

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 47.89 billion Rupees at September 30, 2023 compared to 42.76 billion Rupees at June 30, 2023 and 76.38 billion Rupees at September 30, 2022. The increase during the quarter is due to the upgrade of one borrower from non-performing status. Other than this account, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at September 30, 2023. At September 30, 2023, we held provisions of 8.17 billion Rupees on the BB and below portfolio compared to 4.02 billion Rupees at June 30, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 837.49 billion Rupees at September 30, 2023 compared to 874.18 billion Rupees at June 30, 2023. The total outstanding loans to NBFCs and HFCs were about 8% of our advances at September 30, 2023.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 430.58 billion Rupees at September 30, 2023 compared to 427.12 billion Rupees at June 30, 2023. The builder portfolio is about 3.9% 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 3.5% of the builder portfolio at September 30, 2023 was either rated BB and below internally or was classified as non-performing, compared to 3.7% at June 30, 2023.

F. Consolidated results

The consolidated profit after tax grew by 36.1% year-on-year to 108.96 billion Rupees in this quarter.

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

The value of new business margin of ICICI Life was 28.8% in H1 of this year compared to 32.0% in fiscal 2023 and 31.0% in H1 of last year. The value of new business of ICICI Life was 10.15 billion Rupees in H1 of this year compared to 10.92 billion Rupees in H1 of last year. The annualised premium equivalent was 35.23 billion Rupees in H1 of this year compared to 35.19 billion Rupees in H1 of last year. The profit after tax of ICICI Life was 4.51 billion Rupees in H1 of this year compared to 3.55 billion Rupees in H1 of last year and 2.44 billion Rupees in Q2-2024 compared to 1.99 billion Rupees in Q2-2023.

Gross Direct Premium Income of ICICI General was 60.86 billion Rupees in Q2-2024 compared to 51.85 billion Rupees in Q2-2023. The combined ratio stood at 103.9% in Q2-2024 compared to 105.1% in Q2-2023. Excluding the impact of CAT losses, the combined ratio was 102.8% in Q2-2024 and 104.3% in Q2-2023. The profit after tax was 5.77 billion Rupees in Q2-2024 compared to 5.91 billion Rupees in Q2-2023. The profit after tax of Q2-2023 included reversal of tax provisions of 1.28 billion Rupees.

The profit after tax of ICICI AMC, as per Ind AS was 5.01 billion Rupees in this quarter compared to 4.06 billion Rupees in Q2 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 4.24 billion Rupees in this quarter compared to 3.00 billion Rupees in Q2 of last year.

ICICI Bank Canada had a profit after tax of 21.1 million Canadian dollars in this quarter compared to 12.0 million Canadian dollars in Q2 of last year.

ICICI Bank UK had a profit after tax of 3.3 million US dollars this quarter compared to 1.5 million US dollars in Q2 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.12 billion Rupees in the current quarter compared to 0.60 billion Rupees in Q2 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:

Hello, I just had a question on the sector and then even on margins. So, there's a lot of talk going around on unsecured loans, on which segment of unsecured loans is safe and which is seeing higher delinquencies. So, what is the sense you make from the bureau data and from your own customer data, that's the first question.

And then in your experience as veteran bankers, do you think that the stress in one segment, say below 50,000, can easily spread to other segments, so that's my first question.

Anindya Banerjee:

Yes, we track this portfolio quite closely and we have been doing so for the past several quarters. As far as our portfolio is concerned, we feel that the trends are quite stable and the credit delinquencies and credit costs are well within what we would have sort of expected them to be.

As far as the industry outlook is concerned, we have also seen some research which makes this distinction between the smaller ticket size loans and the larger ticket size loan.

As far as our portfolio is concerned, we have a very minimal presence in the smaller ticket size segment. But I think you are right in the sense that if we start seeing significant increase in delinquencies on personal loans that would have implications for other parts of the portfolio as well, potentially.

But, I think if we have kind of focused on the portfolio as we believe we have on existing customers, on cross-sell and on customers with credit scores above a certain level, and also properly assessed and monitored their level of leverage and how many loans they are servicing at any point in time, we feel that the risks should not be something which would cause too much concern, but we will continue to monitor this as we go along. As things stand in our portfolio the numbers are pretty comfortable and that is why you would have seen us growing the portfolio also at a similar pace this quarter as we have been growing for the past several quarters.

Mahrukh Adajania:

Okay but as the portfolio seasoned, even in your portfolio would it be fair to say that there would be a rising delinquencies over the last six months like anything to call out?

Anindya Banerjee:

There is nothing really to call out, if you look at for example, we have been saying for the last several quarters that in absolute terms as the retail portfolio grows and seasoned and some of the higher recoveries coming out of the stock of NPLs that got created during COVID come down, the net additions to gross NPLs in the retail portfolio will go up, but they have been moving quite in a stable way.

And in fact, in this quarter, you have seen it coming down actually sequentially, which is partly due to the absence of KCC NPLs, but even on the retail side the performance has actually improved slightly.

Mahruk Adajania:

Got it. And, would it be possible to get the average ticket size?

Anindya Banerjee:

No, we have not really given that answer. But, as I said, our presence in the smaller ticket size would be marginal.

Moderator:

Thank you. We will take our next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar:

Hi sir, just two questions. One is your recovery and upgrade, so your retail slippages are running at 3% and your recovery upgrades are like 60% of that. Is that what you would consider as a normal run rate in this business now?

Anindya Banerjee:

I guess so. I mean as the portfolio grows in absolute terms, it may go up, but we expect these trends to be reasonably stable. There could be some variation quarter-to-quarter.

Saurabh Kumar:

Okay and the second sir, again back to the PL, the 40% growth that you have seen, your approval rates on loans will be -- where would this be versus let's say 2023 and versus like 2019 in terms of your internal credit filters?

Anindya Banerjee:

We have not really talked about approval rates and so on. I think we have given our outlook on the portfolio and we will continue to monitor it as we go along.

Saurabh Kumar:

Okay, but your credit filters internally have come down over the last one year, sir? I mean, if you can give us directional colour?

Anindya Banerjee:

No, I don't think we would have diluted our credit filters. In general, I think we have been focusing progressively more on the upper end of the spectrum.

Moderator:

Thank you. We will take our next question from the line of Chintan Joshi from Bernstein. Please go ahead.

Chintan Joshi:

Hi, thank you for the opportunity. I have two areas; one is on kind of lending and deposit yields and second is on your branch expansion strategy. Lending yields have gone down 5 basis points this quarter, which felt a little low. And cost of deposit yields – cost of deposit has gone up substantially. How much repricing is left on the deposits and on the lending side?

And, the second question is, HDFC is growing branches quite aggressively now. It is leaving some of the other private sector banks behind on market share relative to the private sector. How does this impact kind of your branch expansion strategy on a three-year view?

Anindya Banerjee:

As far as the first question is concerned, I think you're aware that the way margins for most banks have moved over the last few quarters in FY23, banks saw the benefit of the increase in the repo rate on the external benchmark linked loans, primarily mortgages and others.

And the deposit rate started to also go up last year, but because the deposits are fixed term, that repricing impact is playing out through the quarters and we are currently in the situation where the policy rates are on a pause, and therefore the external benchmark linked loans are not seeing an increase in yields.

But the deposit rate increases that took place last year are continuing to reprice as they come up for maturity and so on and so forth. So, that is why in fact we had articulated even in the call last time that the repricing of the loan book from here on would not be significant, and that is the way it has played out.

We would continue to expect to see some increase in the cost of deposits on the book, and therefore some moderation in margins over the next quarter or so as well, as we have articulated in the past, but on a full year basis, we continue to expect that the margins would be at a similar level as they were in FY23.

On your second question on branch strategy, so we have added about 350 branches in the first half of this year. We are really looking at what is our network across different micro-markets and assessment of the opportunity in those micro-markets and the branch capacity we need to add to serve that and that is the basis on which we are adding, not really looking at what any other particular bank may or may not be doing.

Chintan Joshi:

That might leave you losing market share relative to the other players, are you happy with that?

Anindya Banerjee:

As I said, we are looking at what is our assessment of the market in each place, in each kind of geographical area and what is the kind of network expansion we need to do based on that. So, it is kind of aligned to what our growth aspirations are.

Moderator:

Thank you. We will take our next question from the line of Rahul Jain from Goldman Sachs. Please go ahead.

Rahul Jain:

Yes, good evening everyone. Actually, I have two, three questions. Number one, can I just get your thoughts on the competitive dynamics, particularly in mortgages and deposits because clearly, the systemic growth has not been very strong in mortgages and of course, some pricing pressure here anecdotally has started coming through. So, what are your experience in that?

Anindya Banerjee:

So on mortgages, yes, it has always been a competitive segment and it continues to be so. So, we do have players offering in particular segments that they are targeting pretty competitive rates. But we are calibrating our response and trying to make sure that we optimize across the portfolio. But overall, I think on loan pricing there is a reasonable level of competitive intensity across the system.

Rahul Jain:

Got it. And the reason I was asking is, of course, credit cost has been extremely benign. So do we choose to pass on some of that and strengthen the position in the secured portfolio because very unsecured while your portfolio is fine, but RBI has found it out, everybody across the board has been saying that the portfolios are fine, but when we speak to some of the bureaus, they do tell us that there's been some downgrades in Super Prime customers too. So just trying to get some head around as to how the cycle will play out. So while it is looking pretty strong at this point of time, but what RBI and the bureaus are saying in the Prime, Super Prime customers, is there a need for you to increase your secure portfolio at some stage and therefore offer some of the pricing out there? Just trying to understand that how it evolves.

Anindya Banerjee:

I don't think it is like that so if you look at our secured retail portfolios those are going pretty well; mortgages growing at 16%-17%, auto is growing above 20%, commercial vehicles which was flat or growing just about in single digits for a long time, this quarter the year-on-year growth is more like 14%. Our SME and business banking portfolios are growing at the 30% kind of level.

So, I think we have pretty broad-based growth and certainly we are not reliant on personal loans for growth. It is still less than 10% of our loan book. Credit cards, of course, we would want to continue to expand our franchise. For personal loans, we will continue to monitor the portfolio and whatever comes through our credit filters in the customer segments that we are comfortable with, we will take that.

In any case, we are not particularly targeting a certain level of loan growth. If credit conditions are not so favourable in our view and we need to prune it by a percentage point or two that is fine. But, currently there is no softness in the secured loan categories either.

Moderator:

Our next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:

Yes, thanks for taking my question. So firstly, in terms of the international NIMs, they have gone up by almost like 56 odd basis points. Are we seeing, obviously the portfolio is quite small now. But eventually when we look at it, is this a steady state in the overall or maybe we see further improvement in the NIMs as well looking at the rates globally?

Anindya Banerjee:

I think it is not particularly consequential Kunal that is a small portfolio. Incrementally, mainly what we are doing there is a short-term working capital, trade finance kind of portfolio. So we do that, the funding that is available and the rates that are wherever we see that the lending rates give us appropriate level of spread over that funding particularly for some of the Indian corporates etc., also in that market the Indian banks tend to be quite competitive. So in the overall scheme of things it does not really make much of a difference.

Kunal Shah:

Secondly in terms of the unsecured so if you look at the retail slippage run rate which is there. Any change in mix between the secured and unsecured incrementally? And is there a need to increase the rates in any of the segments of the personal loan portfolio? Either maybe due to the industry delinquency levels or what we are seeing. And is there enough or maybe if you talk about the competitive intensity even within the PL, is that giving us any kind of leverage to increase the rates if need be or is it extremely competitive from the other players?

Anindya Banerjee:

So I would want to increase rates on every loan category, every customer given, because as I said, the loan markets across all segments for, I think, the quality of customers that most banks are prioritizing from corporate through SME to retail, the pricing environment is competitive.

As far as the personal loans are concerned, I mean, you are aware that rates in that segment have come off meaningfully across, over the last few years. I guess, driven by the favourable credit experience and driven by the entry of new players who were not perhaps present in those segments earlier. It continues to be a profitable portfolio, so we will see it as we go along, and as long as we are able to get volumes in our chosen customer segments, we will keep looking at it. Otherwise, we can always prune it if required.

Moderator:

Thank you. We have next question from the line of Manish Shukla from Axis Capital. Please go ahead.

Manish Shukla:

Thank you for the opportunity. My first question Anindya is slide 54. There is a five basis points Q-o-Q decline in yield on loans when slippages have declined quarter-on-quarter. What kind of explains that?

Anindya Banerjee:

So largely I think it is basis, the computational convention, because the second quarter has one day more than the first quarter. So the interest computation convention led to some decline, but that is mathematical. It will be stable in Q3 and then reverse in Q4.

As I said, it may not have made too much impact in this quarter from a yield on advances perspective, but there is significant pricing competition in the market as well.

Manish Shukla:

I appreciate that, Anindya. But the fact that we are still in elevated interest rate environment, I would not have expected it is to go down, especially when slippage are lower. So that is where the question came from.

Anindya Banerjee:

But four, five basis points can always happen either way. Yes.

Manish Shukla:

Okay. Going back to your comment that full year margin should largely be similar to last year. Full year, last year we were at 4.5, first year is first half, this year is 4.65. That implies a 4.35 for second half. Is that the way to look at it?

Anindya Banerjee:

We cannot give a specific number. As I said, we do expect margins to moderate further from the Q2 level. And hopefully, the extent of moderation could be somewhat lower. And we would be at a similar level of margins as we were last year. That is what I think we have been consistently saying for the last couple of quarters. Therefore, we are just maintaining the same thing.

Moderator:

Thank you. We have a next question from the line of Sameer Bhise from JM Financial. Please go ahead.

Sameer Bhise:

Hi, thanks for the opportunity. Just a quick question on the mortgage portfolio. So if I see the presentation of few quarters back say a year back, the average ticket size on the portfolio was roughly 25 lakhs. It is right now at 35 lakhs. Does the sizable increase look okay or is there something more to read into it?

Anindya Banerjee:

I do not recall the 25 lakh number. I think it would – was always 30 odd. But yes, there would have been some increase in the average ticket size, that looks okay.

Sameer Bhise:

Okay, because say Q1-2023 shows 2.5 million as average ticket size of the home loan, while it is 3.5 million right now. So just wanted to pick your brains on the same? Fine, I will follow up offline. Thank you.

Moderator:

Thank you. We have a next question from the line of Ashish Sharma from Enam AMC. Please go ahead.

Ashish Sharma:

Yes, hi. Just on the net interest margin, would you be able to sort to differentiate in terms of impact which is because of ICC, incremental cash reserve ratio? So, the NIM compression we have seen something which will not flow through in the next quarter. Any comment on that?

Anindya Banerjee:

So ICC would have been a small impact. As I mentioned, if you look at the sequential impact, there would have been some 2-3 basis point impact of the absence of interest on income tax refund. The ICRR would have had maybe one or a couple of basis points impact. The day count would have had some impact, but the larger impact would have been the repricing of deposits that we have spoken of earlier.

Ashish Sharma:

Okay. The second question would be on the personal loan. So given the growth rate, which we are comfortable at this moment, in terms of what regulator is saying, I think they also have clarified the issue is on the growth part. So I mean, from a delinquency perspective, we aren't seeing anything. I think you already sort of alluded a little bit on the first question. So let's just reconfirm again?

Anindya Banerjee:

As I said, we are comfortable with our portfolio. We believe we have underwritten it well. The delinquency levels on the portfolio are not disturbing us. But we will continue to monitor it as we go along.

As I said, our presence in the smaller ticket sizes overall in the portfolio is marginal and over the last few quarters, we would have been migrating more towards the upper segments. So no concerns on this portfolio that we have. We will continue to monitor the growth, the credit quality and growth trends for our portfolio as well as whatever system data we get and calibrate if we need to.

Moderator:

Thank you. We have the next question from the line of Param Subramanian from Nomura. Please go ahead. Mr. Subramanian.

Param Subramanian:

Yes, thanks for the opportunity. So, first question again on the unsecured piece, so we are continuing to see the strong growth at least for us. If you could highlight, explain the disconnect that we are seeing perhaps between the broader trends in consumption in discretionary spend as well as, at least for yourself, the strong growth that we're seeing in the unsecured piece, personal loans, credit cards, etc. Some of the use cases that have increased over the last few years, if you could highlight some of that, which is driving this strong growth that we're seeing? That's the first question.

Anindya Banerjee:

So I wouldn't really want to talk more about the unsecured piece. I don't think that our market share in credit card spend has increased dramatically. So there is enough growth happening across the system in these categories and we are not particularly divergent. So no further comment that I have to make on that.

Param Subramanian:

Okay, fair enough. Secondly, on this recent fine by RBI on the cross selling of non-financial products and one or two other reasons. You could speak a little bit about that because, when it had happened for the peer banks, especially on this cross selling of non-financial products that had been taken seriously. So, any comments there would be useful. Yes, that is it from me, thanks.

Anindya Banerjee:

So I think, as you are aware, the regulator conducts, inspections and continuous examination of the activities of banks. It is a heavily regulated activity and while we try and maintain as best levels of compliance, we can from time to time in any bank, there are misses for which you know action can be taken and penalties can be imposed. As stated in the public release, these relate to 2020 and 2021. And we have taken the necessary corrective action, as we have said in our release. So, nothing more to add on to that.

Moderator:

Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to management for closing comments. Over to you.

Anindya Banerjee:

Thank you very much for taking time out on a Saturday evening, and have a good weekend.

Moderator:

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