

## ICICI Bank

# 3Q24 – headline beat; well positioned to deliver 2%+ RoAs through FY25

Reiterate Rating: BUY | PO: 1,200 INR | Price: 1,009 INR

## 3Q24 – lower provisions offset PPOP slowdown

ICICI Bk reported 3Q PAT of Rs102.7bn (flat QoQ/24% YoY), headline beat led by lower opex and modest credit costs (36 bps). Mgmt expects another qtr of NIM contraction in 4Q but at a slower pace QoQ. Overall, 3Q again demonstrated the bank's ability to deliver 2%+ RoAs on a consistent basis – cyclical slowdown in PPOP growth was offset by lower provisions. The bank is now well positioned to deliver 2% RoAs through FY25, although EPS growth might take a hit from NIMs (rate cut cycle). We tweak EPS by 2-3% and maintain PO of Rs1,200. Re-iterate Buy – current valuations (2.0x FY25E standalone P/B) offer attractive risk-reward.

## Broadbased loan growth; more risk-conscious in unsecured

Loan growth of 3.9% QoQ led by (1) retail (4.5% QoQ) - strong growth driven by healthy growth in home loans (3.9% QoQ), autos (4.5%), CV/CE (3.3%) and unsecured (7.9%). PL growth was slower as bank recalibrated pricing, sourcing cost and analyzed segments that are contributing most to delinquencies. It expects growth in personal loans to be lower in next 1-2 qtrs. (2) SME and biz banking (6.5% QoQ) – growth on leveraging branch network, cross selling, and digital offerings like instaBiz, Merchant stack, (3) Wholesale (2.9% QoQ) – softer growth on higher competitive pressure. Overseas book has been growing in last 2 qtrs – up 9.8% QoQ in 3Q and now at 3.4% of total loan book.

## FY25 – NIM contraction offset by lower opex, credit costs

(1) Comfortable with LDR close to 85% - Bank tries to balance LDR, LCR and NFSR and is comfortable keeping LDR close to 85% in current liquidity environment (87% as of Dec'23), (2) NIM contraction to last one more qtr – Mgmt. expects NIM contraction in 4Q but at slower pace, (3) Opex growth likely to moderate further -employee cost to moderate on lower employee addition, (4) Credit cost to remain close to 50 bps – confident of keeping credit cost at lower level given healthy AQ metrics, (5) Branch expansion – follows at bottom up approach, added 123 branches in this qtr.

Estimates (Mar) (Rs)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	233,394	318,936	401,364	410,572	451,747
EPS	32.98	45.67	56.90	57.63	62.78
EPS Change (YoY)	42.7%	38.5%	24.6%	1.3%	8.9%
Dividend / Share	5.00	8.00	10.00	12.00	15.00
ADR EPS (US\$)	0.886	1.14	1.37	1.39	1.51
ADR Dividend / Share (US\$)	0.134	0.199	0.241	0.289	0.361
<b>Valuation (Mar)</b>					
P/E	30.6x	22.1x	17.7x	17.5x	16.1x
Dividend Yield	0.496%	0.793%	0.991%	1.19%	1.49%
Pre-exceptional PE	30.58x	22.09x	17.73x	17.50x	16.07x
Price / Book	4.15x	3.53x	3.04x	2.66x	2.36x
RoE / PB	3.54x	4.87x	6.09x	6.18x	6.77x
Price / Pre-Provision Profit	17.86x	14.35x	12.25x	11.33x	10.08x

22 January 2024

### Equity

#### Key Changes

(Rs)	Previous	Current
2024E EPS	55.10	56.90
2025E EPS	56.52	57.63
2026E EPS	61.45	62.78

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### Stock Data

Price (Common / ADR)	1,009 INR / 23.88 USD
Price Objective	1,200 INR / 30.00 USD
Date Established	24-Jul-2023 / 24-Jul-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	796.00 INR-1,044 INR
Market Value (mn)	85,192 USD
Market Value (mn)	7,076,544 INR
Shares Outstanding (mn)	7,015.5 / 3,507.8
Average Daily Value (mn)	191.96 USD
Free Float	91.3%
BofA Ticker / Exchange	XLORF / NSI
BofA Ticker / Exchange	IBN / NYS
Bloomberg / Reuters	ICICIB IN / ICBK.BO
ROE (2024E)	18.5%

PPOP: Pre provision operating profit

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# iQprofile<sup>SM</sup> ICICI Bank

Key Income Statement Data (Mar)	2022A	2023A	2024E	2025E	2026E
(Rs Millions)					
<b>Net Interest Income</b>	474,661	621,286	743,183	823,979	939,006
Net Fee Income	156,870	180,010	208,812	246,398	290,749
Securities Gains / (Losses)	9,030	(530.00)	5,000	10,000	12,000
Other Income	19,270	18,810	21,632	24,227	27,135
<b>Total Non-Interest Income</b>	185,170	198,290	235,443	280,625	329,884
Total Operating Income	659,831	819,576	978,626	1,104,603	1,268,890
Operating Expenses	(267,333)	(328,732)	(397,883)	(470,154)	(549,083)
<b>Pre-Provision Profit</b>	392,498	490,844	580,743	634,450	719,807
Provisions Expense	(86,410)	(66,660)	(45,591)	(87,020)	(117,477)
<b>Operating Profit</b>	306,088	424,184	535,152	547,430	602,330
Non-Operating Income	0	0	0	0	0
<b>Pre-Tax Income</b>	306,088	424,184	535,152	547,430	602,330
Net Income to Comm S/Hold.	233,394	318,936	401,364	410,572	451,747
<b>Adjusted Net Income (Operating)</b>	233,394	318,936	401,364	410,572	451,747

<b>Key Balance Sheet Data</b>					
Total Assets	14,112,977	15,842,067	18,652,904	21,878,932	25,643,195
Average Interest Earning Assets	12,426,138	13,882,472	16,341,482	19,616,479	22,824,012
<b>Weighted Risk Assets</b>	8,835,910	10,705,150	12,417,974	14,404,850	16,709,626
Total Gross Customer Loans	8,859,794	10,456,673	12,338,874	14,436,483	16,890,685
Total Customer Deposits	10,645,716	11,808,407	13,933,920	16,163,347	18,749,483
<b>Tier 1 Capital</b>	1,621,210	1,884,170	2,246,127	2,571,349	2,915,306
Tangible Equity	1,705,120	2,007,154	2,330,511	2,655,733	2,999,690
<b>Common Shareholders' Equity</b>	1,705,120	2,007,154	2,330,511	2,655,733	2,999,690

<b>Key Metrics</b>					
Net Interest Margin	3.82%	4.48%	4.55%	4.20%	4.11%
<b>Tier 1 Ratio</b>	18.3%	17.6%	18.1%	17.9%	17.4%
Effective Tax Rate	23.7%	24.8%	25.0%	25.0%	25.0%
Loan / Assets Ratio	62.8%	66.0%	66.1%	66.0%	65.9%
<b>Loan / Deposit Ratio</b>	83.2%	88.6%	88.6%	89.3%	90.1%
Oper Leverage (Inc Growth - Cost Growth)	-10.1%	1.2%	-1.6%	-5.3%	-1.9%
Gearing (Assets / Equity)	8.3x	7.9x	8.0x	8.2x	8.5x
Tangible Common Equity / Assets	12.1%	12.7%	12.5%	12.1%	11.7%
Tangible Common Equity / WRAs	19.3%	18.7%	18.8%	18.4%	18.0%
Revenue Growth	13.8%	24.2%	19.4%	12.9%	14.9%
Operating Expense Growth	24.0%	23.0%	21.0%	18.2%	16.8%
Provisions Expense Growth	-46.7%	-22.9%	-31.6%	90.9%	35.0%
Operating Revenue / Average Assets	5.0%	5.5%	5.7%	5.5%	5.4%
Operating Expenses / Average Assets	2.0%	2.2%	2.3%	2.3%	2.3%
<b>Pre-Provision ROA</b>	3.0%	3.3%	3.4%	3.2%	3.1%
ROA	1.8%	2.2%	2.4%	2.0%	1.9%
<b>Pre-Provision ROE</b>	24.7%	26.7%	27.0%	25.7%	25.7%
ROE	14.7%	17.2%	18.5%	16.5%	16.0%
RoTE	13.7%	15.9%	17.2%	15.5%	15.1%
RoWRAs	2.6%	3.0%	3.2%	2.9%	2.7%
Dividend Payout Ratio	14.9%	17.5%	17.6%	20.8%	NA
<b>Efficiency Ratio</b>	41.1%	40.1%	40.9%	43.0%	43.7%
Headline Cost/Income Ratio	40.5%	40.1%	40.7%	42.6%	43.3%
<b>Total Non-Interest Inc / Operating Inc</b>	28%	24%	24%	25%	26%
Market-Related Revenue / Total Revenues	1.4%	-0.1%	0.5%	0.9%	0.9%
Provisioning Burden as % of PPP	22.0%	13.6%	7.9%	13.7%	16.3%
NPLs plus Foreclosed Real Estate / Loans	3.8%	2.9%	2.0%	1.5%	1.0%
<b>Loan Loss Reserves / NPLs</b>	81.0%	86.8%	76.5%	72.7%	72.3%
Loan Loss Reserves / Total Loans	3.1%	2.6%	1.6%	1.1%	0.8%
Provisions Expense / Average Loans	1.0%	0.7%	0.4%	0.7%	0.8%

<b>Other Metrics</b>					
Income / Employee	6.41	6.35	NA	NA	NA
(Operating Expenses) / Employee	(2.60)	(2.55)	NA	NA	NA
Pre-Provision Profit / Employee	3.81	3.80	NA	NA	NA
Net Profit / Employee	2.27	2.47	NA	NA	NA

## Company Sector

Banks-Multinational/Universal

## Company Description

ICICI, originally set up to provide direct finance for development of industrial projects, is India's leading financial institution. It has built a strong retail franchise to complement its corporate banking activities and capitalize on the fast growing retail market. It has a multi-channel distribution network, wide product range and a strong brand. Managing growth is the key issue.

## Investment Rationale

We remain positive on ICICI bank's turnaround story - sustained high teen growth momentum and 15-16% RoE. Bank has been consistently delivering on earnings and has seen meaningful re-rating in last 2 While NIM will moderate through next year, 1.9-2% RoA looks very much feasible under all circumstance. We re-iterate buy in healthy loan growth+ 2% RoA outlook.

## Stock Data

Shares / ADR	2.00
Price to Book Value	3.0x

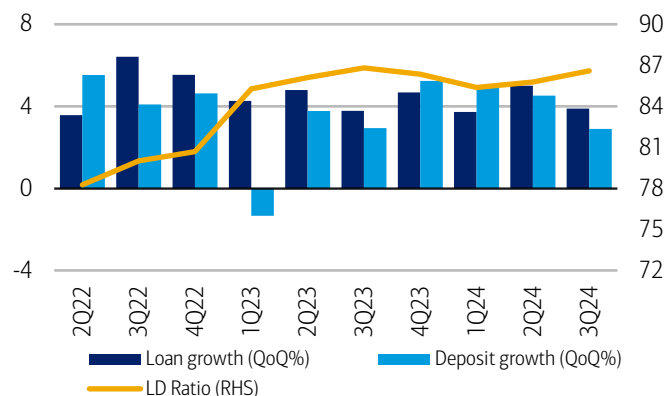
## Key Changes

(US\$)	Previous	Current
2024E EPS	1.33	1.37
2025E EPS	1.36	1.39
2026E EPS	1.48	1.51

## Key Charts: Quarterly Trends

### Exhibit 1: Loans & Deposits Growth QoQ (%)

Steady growth in loans and deposits, LDR now up to 87%

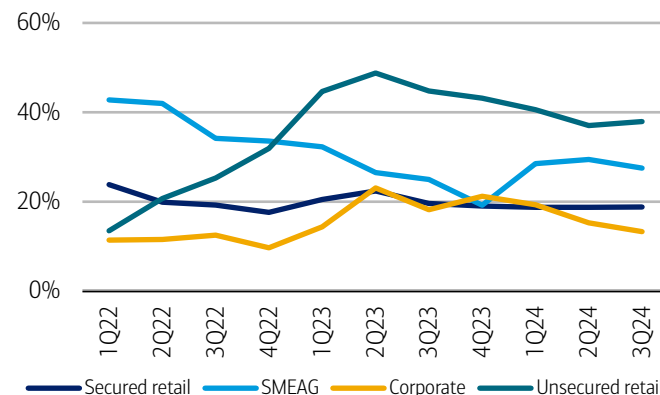


Source: BofA Global Research estimates, company report

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### Exhibit 2: Domestic Loan Growth YoY (%)

Strong growth in unsecured and SME, corp continues to grow slower

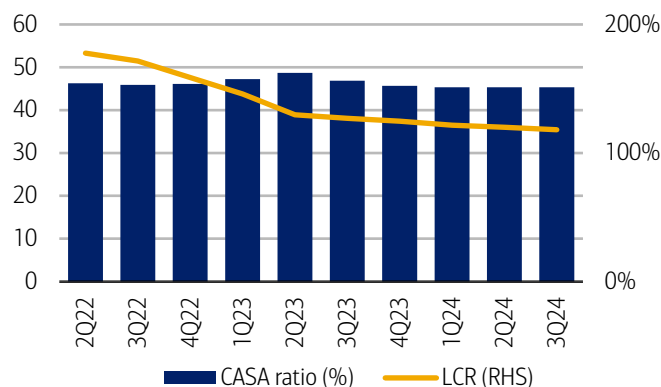


Source: BofA Global Research estimates, company report

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### Exhibit 3: CASA ratio and LCR (%)

Both CASA ratio and LCR were broadly flat on QoQ basis

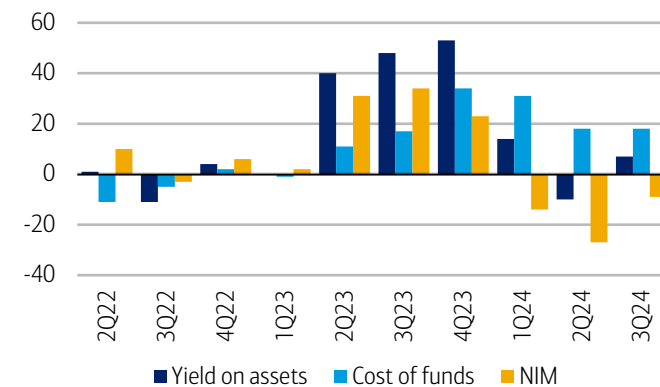


Source: BofA Global Research estimates, company report

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### Exhibit 4: Asset yield, Cost of funds and NIM change (bps)

Bulk of the NIM contraction now over

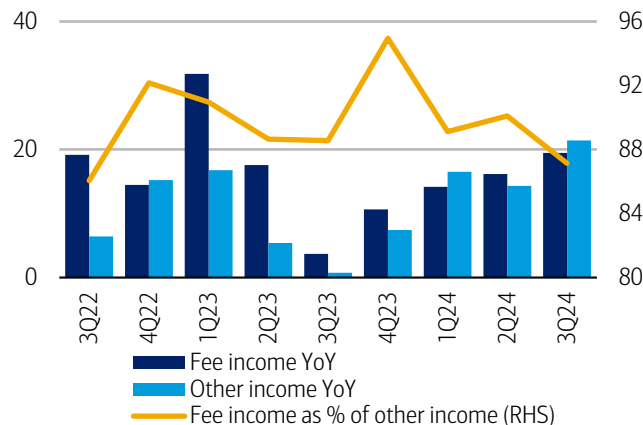


Source: BofA Global Research estimates, company report

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### Exhibit 5: Fee income and total other income growth YoY (%)

Both fee income and other non-IL grew very well during the qtr

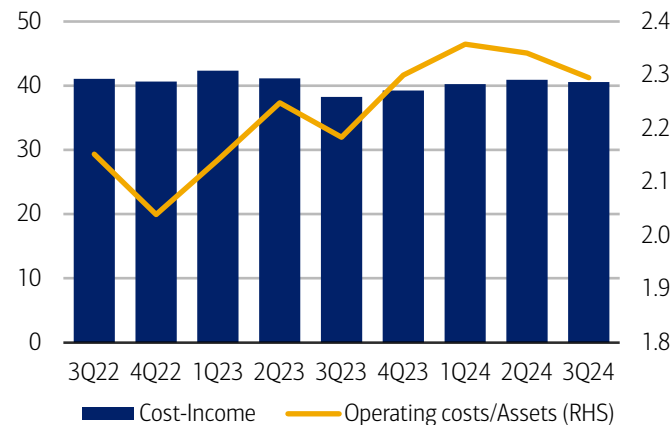


Source: BofA Global Research estimates, company report

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### Exhibit 6: Cost Efficiency

Bank expects opex to moderated further as employee expenses come off

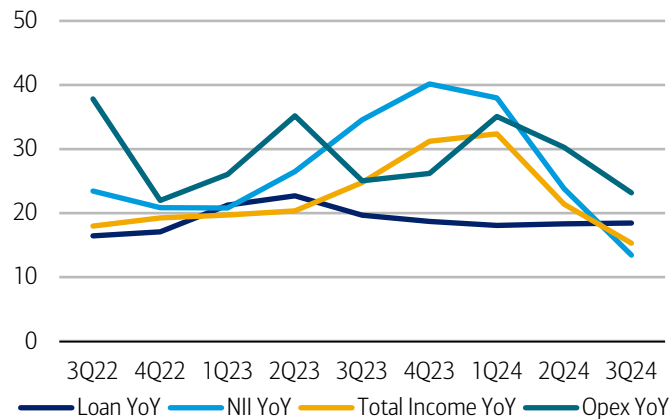


Source: BofA Global Research estimates, company report

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**Exhibit 7: Income vs opex growth YoY (%)**

Growth in NII, total income and opex has started to come off on high base

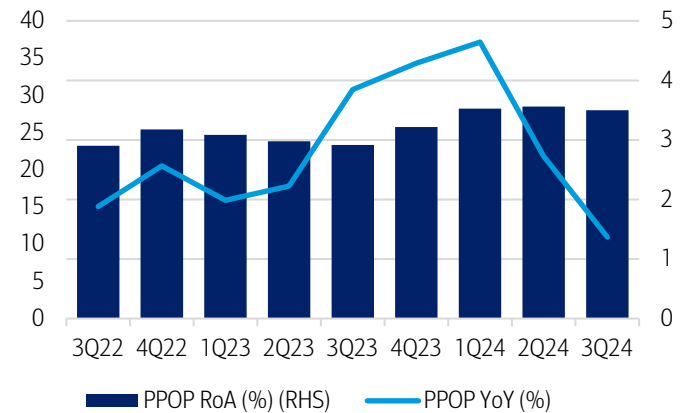


Source: BofA Global Research estimates, company report

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**Exhibit 8: PPOP RoA and PPOP YoY (%)**

PPOP growth moderated partially due to base effect but PPOP RoA stable

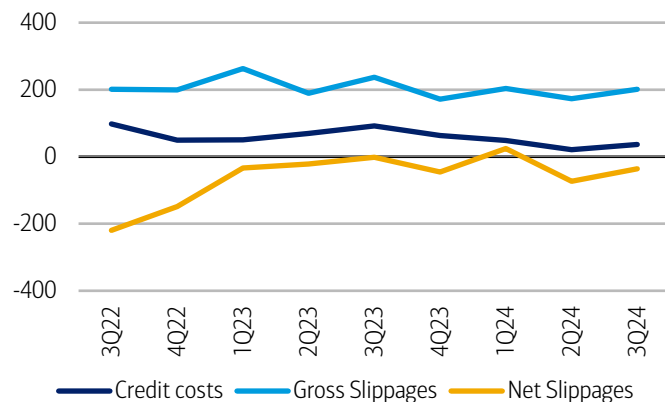


Source: BofA Global Research estimates, company report

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**Exhibit 9: Asset Quality: Provisioning and Slippages (bp, annualised)**

Slippages marginally higher but credit cost remain modest at 36 bps



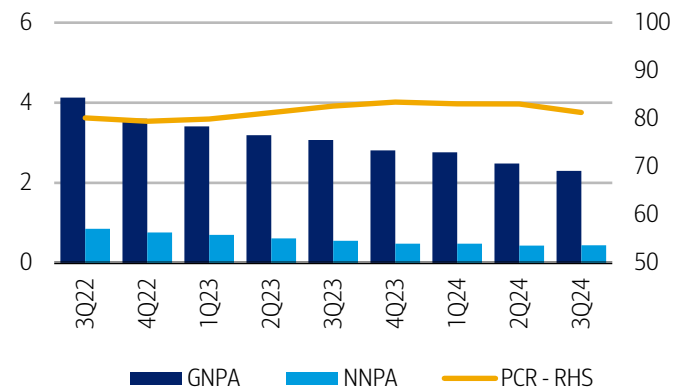
Source: BofA Global Research estimates, company report

2Q21 and 3Q21 are proforma number

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**Exhibit 10: Asset Quality- NPA ratios and PCR (%)**

NPA level remains broadly stable, PCR at 81%



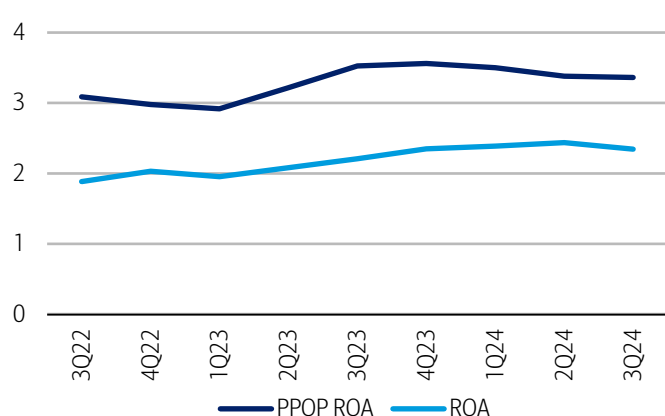
Source: BofA Global Research estimates, company report

2Q21 to 4Q21 are proforma number

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**Exhibit 11: Profitability (%)**

RoA contracted marginally on lower NIM but overall remains robust

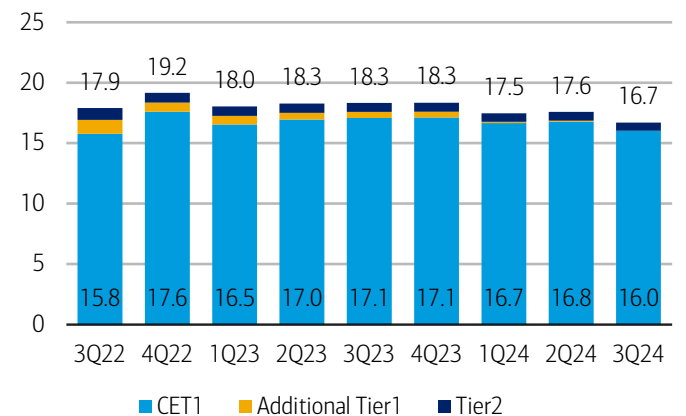


Source: BofA Global Research estimates, company report

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**Exhibit 12: Capital Adequacy (%)**

CET 1 at 16.0% is more than adequate



Source: BofA Global Research estimates, company report

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# Heat-map

## Exhibit 13: Heatmap- key quarterly financial metrics

Summary of key earnings drivers – another quarter of strong core growth metrics

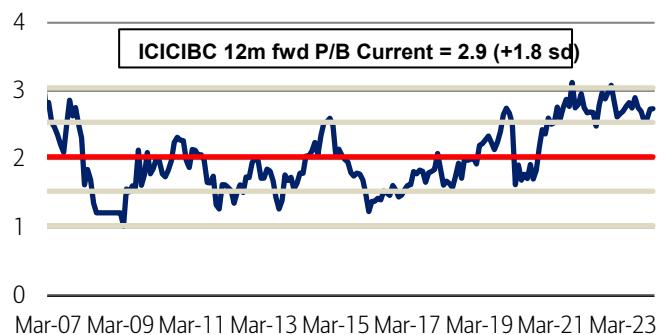
	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
<b>1. Loan growth</b>											
Group YoY%	17	17	16	16	19	21	19	18	18	18	18
Group QoQ%	1	3	6	5	4	5	4	4	4	5	4
Retail YoY%	22	22	20	20	23	23	22	23	23	23	10
Wholesale YoY%	9	11	12	13	16	19	13	15	13	16	16
<b>2. Deposit growth</b>											
Group YoY%	16	17	16	14	13	12	10	11	18	19	19
Group QoQ%	-1	6	4	5	-1	4	3	5	5	5	3
LDR %	80	78	80	81	85	86	87	86	85	86	87
CASA %	46	46	47	49	47	46	45	46	43	41	40
<b>3. Net interest margins</b>											
NIM (%)	3.9	4.0	4.0	4.0	4.0	4.3	4.7	4.9	4.8	4.5	4.4
NIMs QoQ (bp)	5.0	11.0	-4.0	4.0	1.0	30.0	34.0	25.0	-12.0	-25.0	-10.0
<b>4. Revenue &amp; Costs</b>											
Net interest inc YoY%	18	25	23	21	21	26	35	40	38	24	13
Fee income YoY%	53	21	19	14	32	18	4	11	14	16	19
Revenue YoY%	21	23	18	19	20	20	25	31	32	21	15
Opex YoY%	30	28	22	17	25	24	16	27	26	21	22
Cost-income ratio %	40	40	41	41	42	41	38	39	40	41	41
PPOP YoY%	-17	20	15	21	16	18	31	34	37	22	11
<b>7. Asset quality</b>											
Gross NPA ratio (%)	5.6	5.2	4.4	3.8	3.6	3.4	3.2	3.0	2.9	2.6	2.4
Gross slippages (bp of loans)	378	289	201	199	263	189	237	172	203	173	201
Credit costs (bp of loans)	148	138	98	49	51	70	92	63	49	21	36
PCR (%)	78	80	80	79	80	81	83	83	83	83	81
<b>8. Capital</b>											
CET1 (%)	17.0	17.3	17.6	17.6	16.5	17.0	17.1	17.1	16.7	16.7	16.7
<b>9. Profitability</b>											
PPOP ROA (%)	2.9	3.2	3.1	3.0	2.9	3.2	3.5	3.6	3.5	3.4	3.4
ROA (%)	1.5	1.8	1.9	2.0	2.0	2.1	2.2	2.3	2.4	2.4	2.3
ROE (%)	12.3	14.3	15.5	16.8	15.9	16.8	17.8	18.6	18.7	19.2	18.6

Source: BofA Global Research estimates, company report  
2Q21,3Q21, 4Q21 GNPA and PCR are proforma number

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## Exhibit 14: Consensus 12m fwd PB (x) –Standalone

PB multiple now close to 1.8 S SD above long-term avg

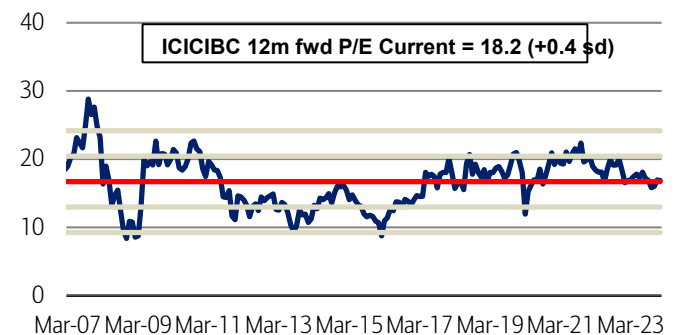


Source: Bloomberg

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## Exhibit 15: Consensus 12m fwd PE (x) –Standalone

PE(x) close to long term average



Source: Bloomberg

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## 3Q24 Analyst briefing takeaways

Some key highlights from the post-results analyst briefing –

Particular	Key Highlights
<b>FY24 Guidance</b>	<ul style="list-style-type: none"> <li>Loans – Bank is seeing healthy growth across secured and unsecured loan segments. It is comfortable growing unsecured book at current pace.</li> <li>NIM – FY24 NIM to be at similar level as FY23 (4.5%), expects some contraction in NIM in 4Q but at slower pace</li> </ul>
<b>Positive surprises</b>	<ul style="list-style-type: none"> <li><b>Healthy loan growth</b> – 3.9% QoQ/18.5% YoY</li> <li><b>Lower credit cost</b> – Credit cost continues to remain modest – 36 bps in 3Q</li> </ul>
<b>Negative surprises</b>	<ul style="list-style-type: none"> <li><b>NIM contraction of 10 bps QoQ</b> – NIM was down 10 bps QoQ on repricing of TD book</li> </ul>
<b>Loan</b> – solid loan growth in SME, business banking and retail	<ul style="list-style-type: none"> <li><b>Retail – Strong growth (4.5% QoQ) in retail book</b> was led by healthy momentum across segments – (1) Home loans grew at steady pace of 3.9% QoQ, autos up 4.5%, CV/CE grew 3.3% QoQ on slower growth in industry. (2) scale up in unsecured portfolio (7.9% QoQ) – now contributes 9.4% of loan book. PL growth was slower during at qtr as bank recalibrated pricing, sourcing cost and analyzed segments that are contributing most to delinquencies. It expects growth in personal loans to be lower in next 1-2 qtrs. Credit cards up 11.5% QoQ.</li> <li><b>SME and business banking – solid growth of 6.7% and 6.5%</b> - growth on leveraging branch network, cross selling, and digital offerings like instaBiz, Merchant stack. Bank still has small market share in these segments, providing it long runway of growth.</li> <li><b>Wholesale (2.9% QoQ) – softer growth</b> – Sequential growth driven by profitable opportunities. Overseas book has been growing in last 2 qtrs – up 9.8% QoQ in 3Q and now represents 3.4% of total loan book.</li> <li><b>Digital business scaling up well</b> – Bank saw 10 mn activation of ICICI mobile banking app by non-ICICI customers. Bank has added features in merchant stack including digital CA opening, overdraft facilities. Store mgmt. etc. 72% of trade transaction were done digitally during the qtr. It has also simplified cross border remittance journey and is offering instant SA account opening to its new mortgage customers.</li> <li><b>Branch expansion at faster pace in 3Q</b> – Bank has added. 123 branches in 3Q to take total network size to 6,371 branches. It continues to follow a bottom-up approach where field and branch staff recommends branch addition.</li> </ul>
<b>Deposit</b> – steady deposit growth, comfortable keeping LDR close to 85%	<ul style="list-style-type: none"> <li><b>Steady growth in deposits led by TD; LCR at 118%</b> - Bank's deposits grew at relatively higher pace of 2.9% QoQ led by 4.9% QoQ growth in Term deposits. Avg CASA broadly flat and CASA ratio is at 39.6%. LCR moderated further to 118%.</li> <li><b>Cost of deposits likely to go up through 1Q25</b> – While retail FD rate has been stable for last few months, wholesale deposit rate has increased across industry as system liquidity declined meaningfully during 3Q. Bank expects wholesale deposit rates to be at current level/increase until system liquidity improves. It expects cost of deposits to increase in 4Q and some small increase in 1Q25 as well.</li> <li><b>Comfortable keeping LDR close to 85%</b> – Bank considers LDR, LCR and NFSR while looking at overall liquidity and will continue to do so. Currently, it is comfortable with LDR level of 86% and expects some improvement depending on system liquidity. It will try to optimize balance between wholesale deposits and borrowings such as bond etc but comfortable keeping LDR close to 85%.</li> </ul>

<p><b>NIM</b> – NIM contraction to continue for one more qtr but FY24 NIM will be close to FY23</p>	<ul style="list-style-type: none"> <li>• <b>NIM contracted 10 bps QoQ, in line with guidance</b> - NIM at 4.43% is down 10 bps QoQ led by repricing of term deposit book. Bank expects some moderation in NIM to continue in 4Q but at slower pace. It remains confident of maintaining FY24 NIM close to FY23 level of 4.5%.</li> <li>• <b>Loan segments continue to see higher competition</b> - Benefit of improving loan mix was offset by interest impact on KCC book. Overall, most loan segments continue to see fair degree of competitive intensity and the bank tries to be disciplined in pricing.</li> </ul>
<p><b>Non-Interest Income</b> – healthy growth continued in fee income</p>	<ul style="list-style-type: none"> <li>• <b>Robust growth in fee income</b> – Fee income growth improved to 2.1% QoQ/19.4 YoY and 79% of fee income is from retail, rural, business banking and SME. Treasury book gain of 123 Cr in 3Q.</li> </ul>
<p><b>Opex</b> – Cost to income ratio at 41%, likely to moderate further</p>	<ul style="list-style-type: none"> <li>• <b>Opex growth in line with business growth, CIR moderated to 40.6%</b> - Bank's opex grew 2% QoQ/22.3% YoY on higher growth in staff cost. Bank's staff cost grew 2.3%QoQ/30.5% YoY due to increase in employee base from 2H23. Bank has added 17k employees in 9M24 and 23k in last 12 months to result in total employee base of 141k. Other expenses were mostly towards retail business, tech cost and marketing expenses. Tech cost constituted 9% of opex in last qtr. Going forward, bank expects opex growth to moderate as bank would not be adding new employees at the same pace.</li> </ul>
<p><b>Asset Quality</b> – credit to remain close to 50 bps</p>	<ul style="list-style-type: none"> <li>• <b>Credit cost likely to be ~50 bps for next few qtrs.</b> – NPA ratios were mostly stable but gross slippage increased slightly. Bank expects slippages in retail and to start trending upwards but credit cost will remain close to 50 bps. Credit cost in 3Q was at modest level of 36 bps but even after excluding one-offs (provision release on restructured book, additional provision for investment book), credit cost would have been 50 bps. PCR is at healthy level of 81%. Total contingent provision remains at Rs 131 bn.</li> </ul>

**Exhibit 16: ICICI Bank 3Q24 results snapshot**

Summary of quarterly and annual financials

	3Q23	4Q23	1Q24	2Q24	3Q24	QoQ%	YoY%	FY23	FY24E	YoY%
<b>KEY EARNINGS DRIVERS</b>										
Loans (Rs. bn)	9,859	10,196	10,576	11,105	11,538	3.9	17.0	10,196	12,144	19.1
Net interest margin (%)	4.7	4.9	4.8	4.5	4.4			4.5	4.5	0.3
Cost-income ratio (%)	38.2	39.2	40.2	40.9	40.6			40.1	41.1	
Credit costs (bp)	92	63	49	21	36			69	45	
Gross NPA ratio (%)	3.2	3.1	2.8	2.8	2.5			2.9	2.0	
Net NPA ratio (%)	0.6	0.6	0.5	0.5	0.4			0.5	0.4	
Net profit (Rs. mn)	83,116	91,211	96,480	102,603	102,725	0.1	23.6	318,965	388,634	21.8
Loan-deposit ratio	86.8	86.3	85.4	85.8	86.6			86.3	87.2	
CASA ratio	45.3	45.8	43.3	40.8	39.6			45.8	0.0	
<b>INCOME STATEMENT (Rs. mn)</b>										
Net interest income	164,653	176,668	182,265	183,079	186,786	2.0	13.4	621,286	733,438	18.1
Non-interest income	50,230	50,870	54,350	57,760	60,980	5.6	21.4	198,314	234,079	18.0
FFe income	44,480	48,300	48,430	52,040	53,130	2.1	19.4	180,010	207,012	15.0
Treasury income	360	-400	2,520	-850	1,230	-244.7	241.7	-530	6,000	-1232.1
Others non-interest income	5,390	2,970	3,400	6,570	6,620	0.8	22.8	18,810	21,067	12.0
Total income	214,883	227,538	236,615	240,839	247,766	2.9	15.3	819,600	967,517	18.0
Operating expenses	-82,174	-89,282	-95,226	-98,553	-100,520	2.0	22.3	-328,732	-398,048	21.1
Staff costs	-29,212	-34,010	-38,837	-37,254	-38,127	2.3	30.5	-120,599	-155,573	29.0
PPOP	132,709	138,256	141,389	142,286	147,246	3.5	11.0	490,868	569,469	16.0
Loan loss provisions	-22,574	-16,198	-12,924	-5,826	-10,494	80.1	-53.5	-66,656	-51,290	-23.1
Operating profit	110,135	122,058	128,465	136,460	136,752	0.2	24.2	424,212	518,179	22.2
Pre-tax profit	110,135	122,058	128,465	136,460	136,752	0.2	24.2	424,212	518,179	22.2
Core net profit	83,116	91,211	96,480	102,603	102,725	0.1	23.6	318,965	388,634	21.8
<b>BALANCE SHEET (Rs. bn)</b>										
Loans (Rs. bn)	9,859	10,196	10,576	11,105	11,538	3.9	17.0	10,196	12,144	19.1
<b>Industry</b>										
Retail	6,790	7,174	7,482	7,915	7,406	-6.4	9.1	73,201		
- Home loans	3,314	3,447	3,556	3,704	3,841	3.7	15.9	0		
- Vehicle loans	757	794	830	870	905	4.0	19.6	0		
- Business banking	669	721	749	828	882	6.5	31.9	0		
- Rural loan	829	874	906	938	980	4.6	18.2	7,174		
- Others	67	78	86	98	86	-12.0	29.3	5,915		
- Personal loan	809	881	948	1,044	1,111	6.4	37.3	794		
- Credit cards	345	378	407	432	482	11.5	39.5	721		
SMEAG	454	482	506	543	579	6.7	27.5	378		
Corporate	2,262	2,348	2,414	2,490	2,562	2.9	13.3	0		
<b>GeographiCBI</b>										
Domestic	9,506	9,855	10,253	10,742	11,148	3.8	17.3	1,259		
Foreign	353	341	323	363	390	7.2	10.5	10,196		
Deposits (Rs. bn)	11,220	11,808	12,387	12,947	13,323	2.9	18.7	11,808	13,934	18.0
<b>KEY RATIOS (%)</b>										
Gross NPAs (Rs. mn)	325,282	311,837	318,224	298,369	287,746	-3.6	-11.5	299,861	247,577	-17.4
Net NPAs Rs. mn)	56,512	51,551	53,818	50,465	53,785	6.6	-4.8	51,501	52,494	1.9
NPA coverage	148	156	153	160	161			158	170	
Fully loaded CET1	17.1	17.1	16.7	16.8	16.0			17.1	17.3	
RoE	18	19	19	19	19			17	18	
RoA	2.2	2.3	2.4	2.4	2.3			2.1	2.3	

Source: BofA Global Research estimates

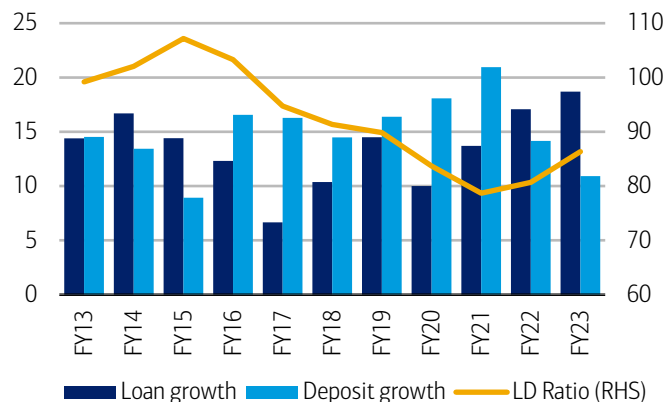
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## Key Charts: Annual Trends

### Exhibit 17: Loans & Deposits YoY Growth (%)

Strong growth in loan book but deposit growth was slower in FY23

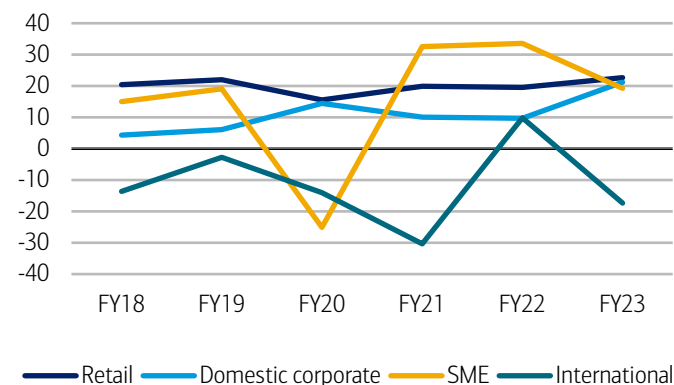


Source: BofA Global Research estimates, company report

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### Exhibit 18: Advances YoY growth (%)

Robust growth across domestic segments; decline in overseas book

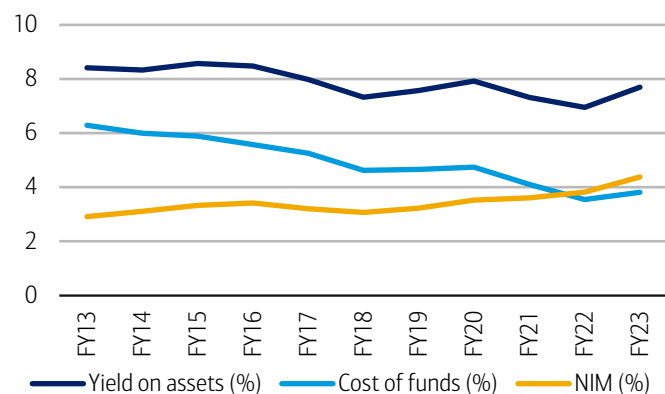


Source: BofA Global Research estimates, company report

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### Exhibit 19: Yields, Costs and NIM (%)

NIM expanded ~60 bps in FY23 on pick up in rate cycle

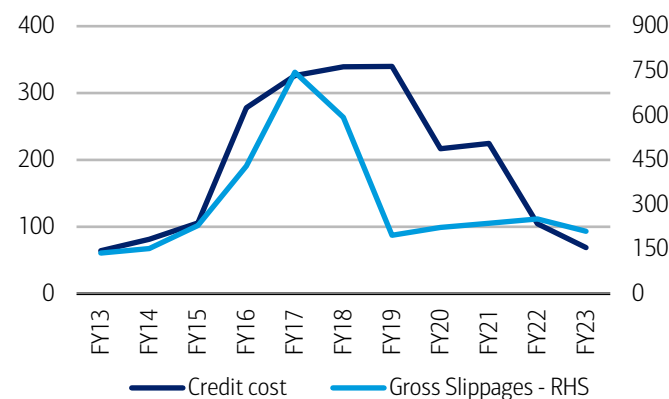


Source: BofA Global Research estimates, company report

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### Exhibit 20: Asset Quality: Provisioning and Slippages (bps)

Credit cost and slippages have decline to FY13 level

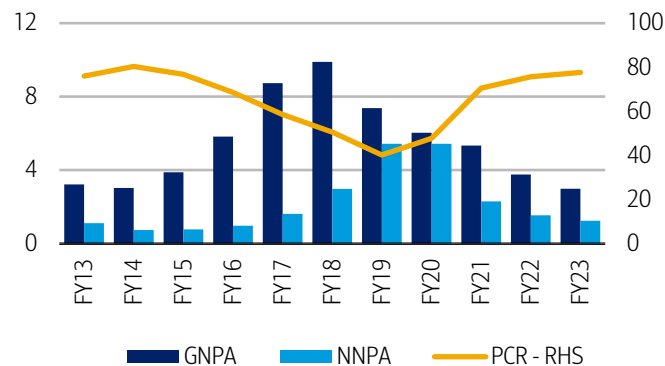


Source: BofA Global Research estimates, company report

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### Exhibit 21: Asset Quality- NPA ratios and PCR (%)

Asset quality metrics continued to improve further in FY23



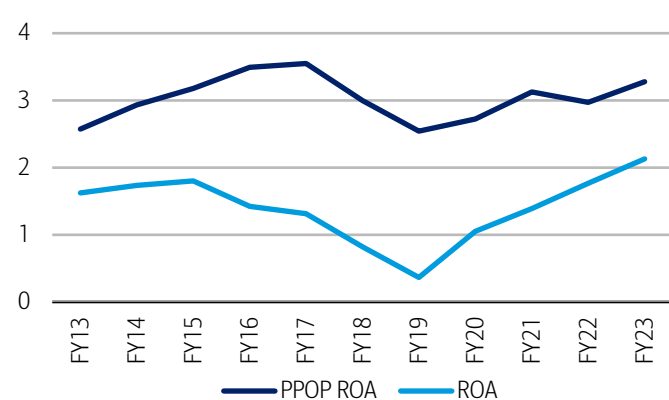
Source: BofA Global Research estimates, company report

FY21 is proforma number

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### Exhibit 22: Profitability (%)

Profitability ratios in FY23 were best in last 10 years



Source: BofA Global Research estimates, company report

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## Abbreviations and Acronyms

---

AQ – Asset Quality  
CASA – Current Account Savings Account  
NII – Net Interest Income  
CET1 – Common Equity Tier 1  
LDR- Loan to Deposit ratio  
LCR – Liquidity coverage ratio  
PCR – Provision Coverage ratio  
SME – Small and medium enterprises  
NPA – Non-Performing Assets  
PL- Personal loans  
TD – Term Deposits  
FD – Fixed Deposits  
CV/CE- Commercial vehicle/Commercial equipment  
NBFC – Non-Banking Financial Company  
CIR – Cost to Income ratio  
CRR – Cash Reserve Ratio  
CP – Contingent provisions

## Price objective basis & risk

### ICICI Bank (XLORF / IBN)

Our PO of Rs1,200 (US\$30) is derived from an SOTP model assigning value to the standalone bank and subsidiaries separately. To value the standalone bank, we use a two-stage Gordon Growth model assuming a Stage 1 high-growth period (ROE 16.0%, growth 18%) then a Stage 2 normalization period (ROE 16.0%, growth 8.5%). We use a cost of equity of 12.9%.

Risk free rate - We use a risk free rate of 7.0%, in line with historical average 10Y bond yields in India.

Market risk premium - We use a market risk premium of 6.0%, in line with our estimate of expected equity market return in the Indian equity market.

Cost of Equity - Our overall cost of equity assumptions are in the range of 12.6-15.5%, mainly driven by differences in our beta assumptions.

Upside risks: 1) Shallow growth slowdown followed by a swift recovery will be the key upside risk for whole sector, 2) Bank's loan exposures significantly outperforming peers in similar segments, 3) The bank's market share gains improve.

Downside risks: 1) Corporate and retail asset quality cycles are more severe than expected, 2) RBI pursues an aggressive combination of rate cuts and more targeted rate transmission, driving bank NIMs lower, 3) No meaningful support from gov't either to boost economic growth or backstop NPA risks in specific sectors, 4) Further tail risks materializing from the bank's overseas exposures.

## Analyst Certification

I, Anand Swaminathan, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

## Special Disclosures

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### South Asia Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Aditya Birla Capital	XADIF	ABCAP IN	Anuj Singla
	Bajaj Finance	XECVF	BAF IN	Anuj Singla
	Bandhan Bank	XBNDF	BANDHAN IN	Anand Swaminathan
	Bangkok Bank	BKKLF	BBL TB	Bay Tuntisrisuk, CFA
	Bangkok Bank -F	BKKPF	BBL/F TB	Bay Tuntisrisuk, CFA
	Bank Mandiri	PPERF	BMRI IJ	Anand Swaminathan
	Bank Negara Indonesia	PBNNF	BBNI IJ	Anand Swaminathan
	Bank of the Philippine Islands	BPHLF	BPI PM	Joahna See-Soriano
	Bank Rakyat Indonesia	BKRKF	BBRI IJ	Anand Swaminathan
	BDO Unibank	BDOUF	BDO PM	Joahna See-Soriano
	Canara Bank	CNRKF	CBK IN	Anand Swaminathan
	CIMB Group	CIMDF	CIMB MK	Anand Swaminathan
	Federal Bank	XMTRF	FB IN	Anand Swaminathan
	HDFC Bank	HDFBF	HDFCB IN	Anand Swaminathan
	HDFC Bank	HDB	HDB US	Anand Swaminathan
	HDFC Life	XETUF	HDFCLIFE IN	Anuj Singla
	ICICI Bank	XLORF	ICICBC IN	Anand Swaminathan
	ICICI Bank	IBN	IBN US	Anand Swaminathan
	ICICI Pru Life	XIIF	IPRU IN	Anuj Singla
	Indusind Bank	IDUBF	IIB IN	Anand Swaminathan
	Life Insurance Corporation of India	XVRYF	LICI IN	Anuj Singla
	Mahindra Finance	XGDAF	MMFS IN	Anuj Singla
	Manappuram Finance	XMGPf	MGFL IN	Anuj Singla
	Metrobank	MTPOF	MBT PM	Joahna See-Soriano
	Muthoot Finance	XMFLF	MUTH IN	Anuj Singla
	Public Bank	PBLOF	PBK MK	Anand Swaminathan
	SBI Life	XETAF	SBILIFE IN	Anuj Singla
	SCB X PCL	XUVNF	SCB TB	Bay Tuntisrisuk, CFA
	Shriram Finance	SHTFF	SHFL IN	Anuj Singla
	Star Health Insurance	XRUF	STARHEAL IN	Anuj Singla
	Thai Life Insurance	XDQJF	TLI TB	Bay Tuntisrisuk, CFA
	TMBThanachart Bank	XMKZF	TTB TB	Bay Tuntisrisuk, CFA
	Union Bank Of India	UBOIF	UNBK IN	Anand Swaminathan
<b>NEUTRAL</b>				
	Aditya Birla Sun Life AMC	XABSF	ABSLAMC IN	Anuj Singla
	AU Small Finance Bank	XAIIF	AUBANK IN	Anand Swaminathan
	Axis Bank	XLIRF	AXSB IN	Anand Swaminathan
	Bank Central Asia	PBCRF	BBCA IJ	Anand Swaminathan
	Bank of Baroda	XZYRF	BOB IN	Anand Swaminathan
	Bank of India	XDIIF	BOI IN	Anand Swaminathan
	DBS Group	DBSDF	DBS SP	Anand Swaminathan
	DBS Group	DBSDY	DBSDY US	Anand Swaminathan
	HDFC Asset Management Company Limited	XJARF	HDFCAMC IN	Anuj Singla
	KASIKORNBANK	KPCKF	KBANK TB	Bay Tuntisrisuk, CFA

## South Asia Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	KASIKORNBANK - F	KPCPF	KBANK/F TB	Bay Tuntisrisuk, CFA
	Kotak Mahindra Bank	XWIUF	KMB IN	Anand Swaminathan
	Krungthai Card	XXHFF	KTC TB	Napassorn Jittimaitriskul
	SBI Cards	XLJGF	SBICARD IN	Anuj Singla
	Security Bank	SYBJF	SECB PM	Joahna See-Soriano
	Union Bank of the Philippines	UBOPF	UBP PM	Joahna See-Soriano

## UNDERPERFORM

	IDFC First Bank	XQUFF	IDFCB IN	Anand Swaminathan
	JMT Network Services	XQXRF	JMT TB	Narumon Ekasamut
	Krung Thai Bk	KGTLF	KTB TB	Bay Tuntisrisuk, CFA
	LIC Housing Finance	XLIF	LICHF IN	Anuj Singla
	Maybank	MLYNF	MAY MK	Anand Swaminathan
	Oversea-Chinese Banking Corp	OVCHF	OCBC SP	Anand Swaminathan
	Punjab National Bank	XQGRF	PNB IN	Anand Swaminathan
	RBL Bank	XKITF	RBK IN	Anand Swaminathan
	State Bank of India	XDWRF	SBIN IN	Anand Swaminathan
	Tisco Financial Group	THVSF	TISCO TB	Bay Tuntisrisuk, CFA
	United Overseas Bank	UOVEF	UOB SP	Anand Swaminathan
	United Overseas Bank	UOVEY	UOVEY US	Anand Swaminathan
	UTI Asset Management Company	XUTTF	UTIAM IN	Anuj Singla

## RVW

	Singapore Exchange	SPXCF	SGX SP	Anand Swaminathan
	Techcombank	XCWFF	TCB VN	Anand Swaminathan
	Vietcombank	XWRHF	VCB VN	Anand Swaminathan
	VPBank	XKOSF	VPB VN	Anand Swaminathan

IQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Return On Equity

Net Income

Operating Margin

Operating Profit

Earnings Growth

Expected 5 Year CAGR From Latest Actual

Free Cash Flow

Cash Flow From Operations – Total Capex

Amortization

Shareholders' Equity

Sales

N/A

N/A

## Quality of Earnings

Cash Realization Ratio

Cash Flow From Operations

Asset Replacement Ratio

Capex

Tax Rate

Tax Charge

Net Debt-To-Equity Ratio

Net Debt = Total Debt – Cash &amp; Equivalents

Interest Cover

EBIT

## Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

## Valuation Toolkit

Price / Earnings Ratio

Current Share Price

Price / Book Value

Current Share Price

Dividend Yield

Annualised Declared Cash Dividend

Free Cash Flow Yield

Cash Flow From Operations – Total Capex

Enterprise Value / Sales

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

## Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Enterprise Value

Basic EBIT + Depreciation + Amortization

**IQmethod<sup>SM</sup>** is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of IQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

**IQdatabase<sup>®</sup>** is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

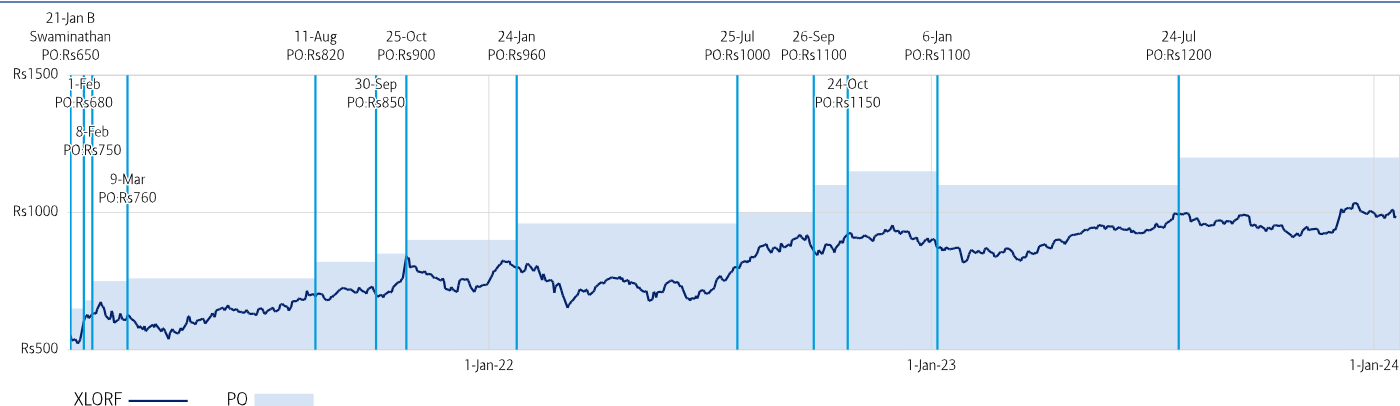
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# Disclosures

## Important Disclosures

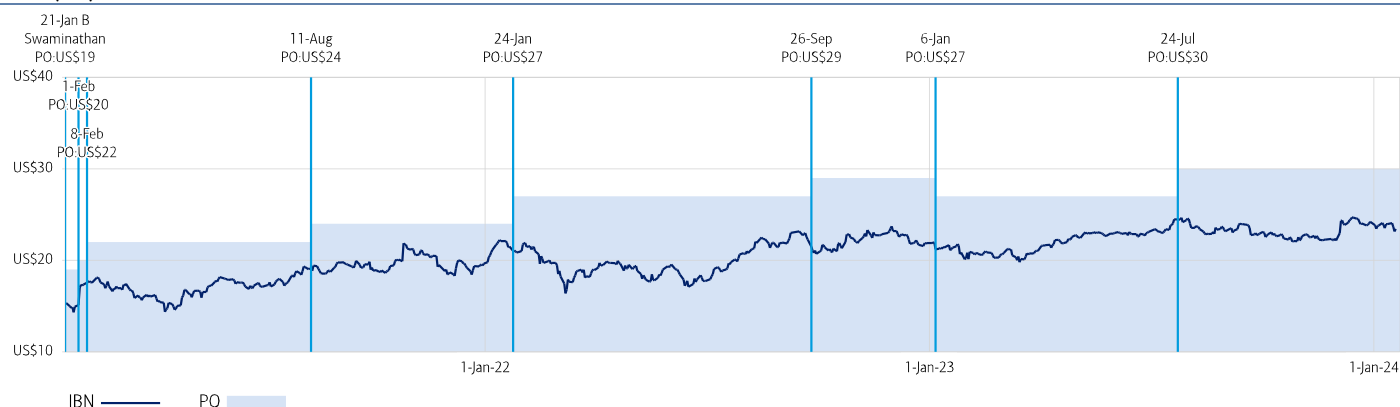
### ICICI Bank (XLORF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### ICICI Bank (IBN) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Banks Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	100	49.75%	Buy	84	84.00%
Hold	54	26.87%	Hold	41	75.93%
Sell	47	23.38%	Sell	35	74.47%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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