Analyst call on October 26, 2024: Opening Remarks

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Mr. Bakhshi's opening remarks

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q2 of FY2025. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

The Indian economy remains resilient based on its long-term growth drivers and the actions and initiatives of the policymakers. The global and domestic inflation, liquidity and rate environment continue to evolve, and we would continue to monitor the same.

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

The profit before tax excluding treasury grew by 7.9% year-on-year and 5.2% quarter-on-quarter to 148.10 billion Rupees in this quarter. The core operating profit increased by 12.1% year-on-year and 4.1% quarter-on-quarter to 160.43 billion Rupees in this quarter. Excluding dividend income from subsidiaries and associates, the core operating profit increased by 13.4% year-on-year and 6.8% quarter-on-quarter to 155.02 billion Rupees in this quarter. The profit after tax grew by 14.5% year-on-year and 6.2% quarter-on-quarter to 117.46 billion Rupees in this quarter.

Total deposits grew by 15.7% year-on-year and 5.0% sequentially at September 30, 2024. Term deposits increased by 15.9% year-on-year and 5.5% sequentially at September 30, 2024. During the quarter, average deposits grew by 15.6% year-on-year and 3.6% sequentially and average current and savings account deposits grew by 10.4% year-on-year and 1.8% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 120%.

The domestic loan portfolio grew by 15.7% year-on-year and 4.6% sequentially at September 30, 2024. The retail loan portfolio grew by 14.2% year-on-year and 2.9% sequentially. Including non-fund based outstanding, the retail portfolio was 44.9% of the total portfolio. The rural portfolio grew by 16.5% year-on-year and 1.7% sequentially. The business banking portfolio grew by 30.0% year-on-year and 10.7% sequentially. The domestic corporate portfolio grew by 11.8% year-on-year and 4.9% sequentially. The overall loan portfolio including the international branches portfolio grew by 15.0% year-on-year and 4.4% sequentially at September 30, 2024. We have revised the presentation of loans to reflect a consolidated view of the business banking portfolio, which Anindya will explain later on the call.

The net NPA ratio was 0.42% at September 30, 2024 compared to 0.43% at June 30, 2024 and 0.43% at September 30, 2023. The total provisions during the quarter were 12.33 billion Rupees or 7.7% of core operating profit and 0.38% of average advances. The provisioning coverage ratio on non-performing loans was 78.5% at September 30, 2024. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.0% of total loans at September 30, 2024.

The capital position of the Bank continued to be strong with a CET-1 ratio of 15.96% and total capital adequacy ratio of 16.66% at September 30, 2024, including profits for H1-2025.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360 degree, extensive franchise and collaboration within the organisation, backed by our focus on enhancing delivery systems and simplifying processes will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. We are laying strong emphasis on strengthening our operational resilience for seamless delivery of services to customers. We will remain focused on maintaining a strong balance sheet with prudent provisioning and healthy levels of capital. The principles of “Return of Capital”, “Fair to Customer, Fair to Bank” and “One Bank, One Team” will continue to guide our operations. We remain focused on delivering consistent and predictable returns to our shareholders.

I now hand the call over to Anindya.

Anindya's opening remarks

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

A. Loan growth

As Sandeep mentioned, we have revised the presentation of loans to reflect a consolidated view of the business banking portfolio. This comprises all borrowers with a turnover of upto 7.50 billion Rupees which was earlier reflected in the reported SME and business banking portfolios as well rural business credit forming part of the rural portfolio, dealer funding forming part of the retail portfolio and lending to mid-corporates forming part of the corporate portfolio. Over the past few years, the Bank has seen healthy loan growth in this category and has adopted an integrated approach to coverage, credit and delivery to these customers. Aligning with the same, we would be reporting the retail, rural, business banking and corporate portfolios on this revised basis. The comparable data for previous periods have been provided on slide 67 of the investor presentation.

Coming to the growth across retail products, the mortgage portfolio grew by 13.2% year-on-year and 3.2% sequentially. Auto loans grew by 9.6% year-on-year and 0.8% sequentially. The commercial vehicles and equipment portfolio grew by 9.1% year-on-year and was flat sequentially. Personal loans grew by 17.3% year-on-year and 3.5% sequentially. The credit card portfolio grew by 27.9% year-on-year and 3.4% sequentially. The personal loans and credit card portfolio were 9.6% and 4.3% of the overall loan book respectively at September 30, 2024.

The overseas loan portfolio, in US dollar terms, declined by 6.9% year-on-year at September 30, 2024. The overseas loan portfolio was about 2.6% of the overall loan book at September 30, 2024. Of the overseas corporate portfolio, about 92% comprises Indian corporates.

B. Credit quality

The gross NPA additions were 50.73 billion Rupees in the current quarter compared to 59.16 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 33.19 billion Rupees in the current quarter compared to 32.92 billion Rupees in the previous quarter. The net additions to gross NPAs were 17.54 billion Rupees in the current quarter compared to 26.24 billion Rupees in the previous quarter.

The gross NPA additions from the retail and rural portfolios were 43.41 billion Rupees in the current quarter compared to 52.04 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 and rural portfolios were 25.92 billion Rupees compared to 25.32 billion Rupees in the previous quarter. The net additions to gross NPAs in the retail and rural portfolios were 17.49 billion Rupees compared to 26.72 billion Rupees in the previous quarter.

The gross NPA additions from the corporate and business banking portfolios were 7.32 billion Rupees compared to 7.12 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and business banking portfolios were 7.27 billion Rupees compared to 7.60 billion Rupees in the previous quarter. There were net additions to gross NPAs of 0.05 billion Rupees in the corporate and business banking portfolios compared to net deletion of 0.48 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 33.36 billion Rupees. There was sale of NPAs of 0.16 billion rupees for cash in the current quarter compared to 1.14 billion Rupees in the previous quarter.

The non-fund based outstanding to borrowers classified as non-performing was 33.82 billion Rupees as of September 30, 2024 compared to 35.43 billion Rupees as of June 30, 2024. The Bank holds provisions amounting to 19.11 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 25.46 billion Rupees or about 0.2% of the total loan portfolio at September 30, 2024 from 27.35 billion Rupees at June 30, 2024. Of the total fund based outstanding under resolution at September 30, 2024, 21.29 billion Rupees was from the retail and rural portfolios and 4.17 billion Rupees was from the corporate and business banking portfolios. The Bank holds provisions of 8.12 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 9.5% year-on-year to 200.48 billion Rupees in this quarter. The net interest margin was 4.27% in this quarter compared to 4.36% in the previous quarter and 4.53% in Q2 of last year. The impact of interest on income tax refund on net interest margin was nil in the current, previous quarter and no impact in Q2 of last year. The movement in net interest margin from Q1 to Q2 includes the impact of the higher number of days in the current quarter, which should seasonally reverse in Q4.

The domestic NIM was 4.34% in this quarter compared to 4.44% in the previous quarter and 4.61% in Q2 of last year. The cost of deposits was 4.88% in this quarter compared to 4.84% in the previous quarter. Of the total domestic loans, interest rates on 51% of the loans are linked to the repo rate, 1% to other external benchmarks and 16% to MCLR and other older benchmarks. The balance 32% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 10.8% year-on-year to 64.96 billion Rupees in Q2 of 2025.

- Fee income increased by 13.3% year-on-year to 58.94 billion Rupees in this quarter. Fees from retail, rural and business banking customers constituted about 78% of the total fees in this quarter.

- Dividend income from subsidiaries and associates was 5.41 billion Rupees in this quarter compared to 6.48 billion Rupees in Q2 of last year. Dividend income from subsidiaries and associates was 14.35 billion Rupees in H1 of current year compared to 9.40 billion Rupees in H1 of last year.

On Costs: The Bank's operating expenses increased by 6.6% year-on-year in this quarter. Employee expenses increased by 11.0% year-on-year and non-employee expenses increased by 3.8% year-on-year in this quarter. The technology expenses were about 10% of our operating expenses in H1 of current year. Our branch count has increased by 90 in H1 of current year. We had 6,613 branches as of September 30, 2024.

The total provisions during the quarter were 12.33 billion Rupees or 7.7% of core operating profit and 0.4% of average advances compared to the provisions of 13.32 billion rupees in Q1 of 2025. The provisions in Q1 of 2025 also included the impact of release of AIF provisions of 3.89 billion Rupees, pursuant to clarity on the regulatory requirements.

The provisioning coverage on non-performing loans was 78.5% as of September 30, 2024. In addition, we hold 8.12 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, 2024. At the end of September, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 231.91 billion Rupees or 1.8% of loans.

The profit before tax excluding treasury grew by 7.9% year-on-year to 148.10 billion Rupees in Q2 of this year.

Treasury gains were 6.80 billion Rupees in Q2 as compared to a treasury loss of 0.85 billion Rupees in Q2 of the previous year, primarily reflecting realised and mark-to-market gains in equities and fixed income securities.

The tax expense was 37.44 billion Rupees in this quarter compared to 33.85 billion Rupees in the corresponding quarter last year. The profit after tax grew by 14.5% year-on-year to 117.46 billion Rupees in this quarter.

Growth in digital offerings

We continue to enhance the use of technology in our operations to provide simplified solutions to customers. About 72% of trade transactions were done digitally in Q2-2025. The volume of transactions done through Trade Online platform grew by 20.0% year-on-year in Q2-2025.

D. Portfolio information

We have provided details on our retail, rural and business banking portfolios on slides 29 to 32 of the investor presentation.

In line with the revised presentation of composition of the loan portfolio, we would be providing the BB and below corporate portfolio from the current quarter onwards. The loan and non-fund based outstanding to performing corporate borrowers rated BB and below was 33.86 billion Rupees at September 30, 2024 compared to 41.64 billion Rupees at June 30, 2024. This portfolio was about 0.3% of our advances at September 30, 2024. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at September 30, 2024. At September 30, 2024, we held provisions of 6.26 billion Rupees on the BB and below portfolio compared to 8.41 billion

Rupees at June 30, 2024. While the SME portfolio has been carved out from the rating-wise disclosure, the loan and non-fund based outstanding to performing SME borrowers rated BB and below also declined in the current quarter.

The total outstanding to NBFCs and HFCs was 880.27 billion Rupees at September 30, 2024 compared to 854.12 billion Rupees at June 30, 2024. The total outstanding loans to NBFCs and HFCs were about 6.9% of our advances at September 30, 2024. The sequential increase in the outstanding to NBFCs and HFCs is mainly due to disbursement to entities having long vintage and entities owned by well-established corporate groups.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 542.16 billion Rupees at September 30, 2024 compared to 521.30 billion Rupees at June 30, 2024. The builder portfolio was about 4.2% 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 1.9% of the builder portfolio at September 30, 2024 was either rated BB and below internally or was classified as non-performing, compared to 2.1% at June 30, 2024.

E. Consolidated results

The consolidated profit after tax grew by 18.8% year-on-year to 129.48 billion Rupees in this quarter.

The details of the financial performance of key subsidiaries are covered in slides 40 to 42 and 61 to 66 in the investor presentation.

The annualised premium equivalent of ICICI Life was 44.67 billion Rupees in H1 of this year as compared to 35.23 billion Rupees in H1 of last year. The value of new business was 10.58 billion Rupees in H1 of this year compared to 10.15 billion Rupees in H1 of last year. The value of new business margin was 23.7% in

H1 of this year compared to 24.6% in FY2024 and 28.8% in H1 of last year. The profit after tax of ICICI Life was 4.77 billion Rupees in H1 of this year compared to 4.51 billion Rupees in H1 of last year and 2.52 billion Rupees in Q2-2025 compared to 2.44 billion Rupees in Q2-2024.

Gross Direct Premium Income of ICICI General was 67.21 billion Rupees in Q2-2025 compared to 60.86 billion Rupees in Q2-2024. The combined ratio stood at 104.5% in Q2-2025 compared to 103.9% in Q2-2024. Excluding the impact of CAT losses of 0.94 billion Rupees in Q2-2025 and 0.48 billion Rupees in Q2-2024, the combined ratio was 102.6% and 102.8% respectively. The profit after tax was 6.94 billion Rupees in Q2-2025 compared to 5.77 billion Rupees in Q2-2024.

The profit after tax of ICICI AMC, as per Ind AS was 6.94 billion Rupees in this quarter compared to 5.01 billion Rupees in Q2 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 5.29 billion Rupees in this quarter compared to 4.24 billion Rupees in Q2 of last year.

ICICI Bank Canada had a profit after tax of 19.1 million Canadian dollars in this quarter compared to 21.1 million Canadian dollars in Q2 last year.

ICICI Bank UK had a profit after tax of 8.0 million US dollars in this quarter compared to 3.3 million US dollars in Q2 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.83 billion Rupees in the current quarter compared to 1.12 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 with the question-and-answer session. First question is from the line of Mahrukh Adajania from Nuvama Wealth. Please go ahead.

Mahrukh Adajania:

My question is just related to general asset quality. So, your slippages have done very well this quarter. And you've been growing your unsecured loans though at a slower pace, but quite healthy. Your growth in mortgage and unsecured loans on a QoQ basis is similar. And despite that, there's no sign of stress on your books while every other lender is seeing some stress one or the other on unsecured loans, either in credit cards or other unsecured loans. So, how do you think about your book going ahead? Will that divergent trend from the sector continue? And what is it that you think you're doing right relative to others?

Anindya Banerjee:

Mahrukh, first of all, I think we have also seen an increase in the delinquencies and NPL formation in unsecured loans over the last three to four quarters, both in credit cards and in personal loans. But during this period and even prior to that, we had been taking various steps to sort of improve the way we were underwriting and sourcing this portfolio in terms of customer segments and pricing and various other filters.

And therefore, as you would see on the personal loan side, the growth on a year-on-year basis has actually come off pretty significantly. Last year in the September quarter, the year-on-year growth was 40% and this year it is down to 17% or so. But in this portfolio, over a period of time, the slippages have gone up. I would say that in the current quarter, we have not seen them go up further on a sequential basis, but we will continue to watch.

On the credit card side, I think it's a little different from personal loans because that is a very core product when you look at a Bank customer relationship and sort of a high touch product. So, that's definitely a business we would want to continue to grow. But there also, over a period of time, we have taken various steps in terms of the sourcing pattern. And, while we have seen again, there also the delinquencies and credit costs go up, it continues to be a very profitable business and a growth business.

Overall, the unsecured piece, these two products put together are about 14% of the loan book. So, some increase in delinquency or credit costs in these segments has contributed to the path towards some kind of normalization of credit costs. But even after that, if you look at it, we are still in the 40-50 basis point range on an overall basis. So, that's how we would manage going forward.

Mahrukh Adajania:
And just my second question is on funding costs. I know the deposit mix is also kind of changing, but would funding costs have bottomed out now? I mean, peaked out now? Just some outlook on margins in terms of cost.

Anindya Banerjee:
If you look at the retail deposit rates, I think they have gone up in the current calendar year by about 15 bps or so, I think about 10 bps in Q4 and 5 bps in earlier this quarter. And that will feed into the increase in the cost of deposits by 1 basis point, 2 basis point over a period of time. But yes, I think the big increase in deposit rates had already by and large happened between the second half of fiscal 2023 and the second half of fiscal 2024. So, we would not expect retail deposit rates to go up too much from here. On the wholesale side, I think the rates continue to be somewhat higher than what we would have otherwise expected. As we had mentioned perhaps last time, the kind of decline in wholesale rates that we usually see during a first quarter did not really happen and rates have continued to be a little bit on the higher side, if you look at one year plus kind of deposits. But I guess, with the liquidity situation having improved and the credit growth also coming off a little bit, that should hopefully will ease going forward, but we

will have to wait and see. Overall, we may see, I guess, marginal increase in the cost of term deposits. I think this quarter the overall cost of deposits went up by 4 basis points, which is a little bit of increase in the cost of term deposits and a little bit of reduction in the average CASA ratio. And maybe to that extent some small increases we could still see.

Moderator:
Thank you. The next question is from the line of Rikin Shah from IIFL Securities. Please, go ahead.

Rikin Shah:
Two questions. First one is on margin and more specifically on yield on advances. So, the yield on advances have been softening since a couple of quarters. Probably this quarter would be a function of mix change, but if you could allude to what's driving slight pressure on the yields on advances and an outlook on that in the near term? And the second question is on the treasury gains, if you could just provide some colour as to why the treasury gains have been high for the second quarter as well. 1Q you did mention a few reasons. If you could just provide more colour on that for this quarter as well.

Anindya Banerjee:
On the first one, I think as I mentioned, there are certain portfolios where we account the interest income on a 30/360 basis. So, in quarters which have higher number of days, the yield on advances just mathematically is reported a little lower. It evens out over the course of the year. Other than that, nothing specific on the yield on advances. I think in terms of market lending, we continue to see a fair amount of competitive intensity and we are trying to be as disciplined within that context as we can be. On the overall, I would say on the margins, we would expect it to be broadly stable in H2 relative to H1 is the way we would look at it until a rate cut cycle starts.

On the treasury, actually, as you know from 1st of April, the revised investment guidelines came into force whereby a lot of the positions are mark-to-market now other than the HTM portfolio and most of, other than the SLR book and subsidiaries and things like that, most of the portfolio is held either in the AFS or fair value through P&L and the mark-to-market on the fair value through P&L portfolio reflects in the P&L for the quarter. So, this quarter, if I look at kind of the Rs. 6 odd billion, I would say a larger part did come from the treasury operations, the trading operations that we do across both fixed income, equities and so on. But some component was there which reflected sort of the incremental mark-to-market positive over and above what the position was on June 30th on the fair value through P&L portfolio.

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

Piran Engineer:
You've done a good job in controlling opex. Can you just give us some glimpse of where this is coming from? Where are we getting these benefits from? What should we expect in the coming, say, FY25-26?

Anindya Banerjee:
I think we have been talking maybe for the last four quarters that the kind of opex growth rate of 20% plus that we had been running in the four to six quarters or maybe a couple of years prior to that would moderate because now the cost base itself is fairly large and we have opportunities to optimize within that. So, that is basically what has driven the reduction in the cost growth. I think if I remember right for the fourth quarter, the adjusted cost growth was about 13% or so. For the first half this year, while the Q2 number is indeed year-on-year growth is very low at 6.6%, for the first half this year, it's about 8.5% or so. And it could be slightly higher in the second half, given all the festive season-related spends and other

technology spends, etc., that we have planned out. But broadly, around this level, give or take a couple of percentage points is where we should see it in the near term.

Piran Engineer:
And your branch openings have also slowed down this year compared to the run rate that we are running at earlier. So, any particular reason? And is this also a reason why opex growth has been trending a bit lower?

Anindya Banerjee:
No. I don't think that that's a very big driver, maybe there's some contribution of that. So, on branches, as we have said in the past, we are not really fixated on a particular number, or that we have to open so many in such a period of time. It's a very bottom-up organic process based on the teams which are managing different markets, what is the branch addition that they need to do and it's always looked at within the overall current and potential PPOP kind of framework. So, based on that, we have not consciously held back on opening any branches nor have we pushed any branch opening. It's just an organic process which happened. I would guess this number will be materially higher in H2 but it's not like we have any particular number that we want to achieve.

Piran Engineer:
Got it. And just lastly, if I can squeeze in your credit card delinquencies, any difference between the co-branded ones and the regular ones?

Anindya Banerjee:
We don't really give out this data.

Moderator:
Thank you. Next question is from the line of Saurabh from JP Morgan. Please go ahead.

Saurabh:

Just two questions. One is on your CASA growth, especially on your savings account growth. You've done much better than all other banks. So, could you just throw some light as to why you are seeing a much better traction on CASA than others, especially on savings account? And the second is essentially on your slippages. How much will be coming from linked accounts? And will it be fair that in your cards and personal loan portfolio, the NPL increase will be higher in cards, or the write-off will be higher in cards versus PL, the stress you are seeing. And it will be mostly in the outside of the bank channel. These are the ones. Thank you.

Anindya Banerjee:

On the CASA side, I think the way we approach it is that we basically focus on what we call money-in-bank. So, we don't really push the distribution for that we want to do this much CA, this much SA or this much Term. Basically, what we are trying to achieve is that we should be having good customers and we should be the primary banker having a good share of that customer's wallet, and customer ranges across retail and business banking and corporate. And then it's really up to the customer in what form they choose to keep the money. So, I think that is the way we are kind of trying. So, I think this money-in-bank concept and focusing the team's attention on the total wallet of the customer rather than driving any particular type of deposit at any point of time has helped as well as the focus on, I would say, quality customer acquisition.

On the NPL part, finally it doesn't really matter whether it is linked or unlinked. RBI guidelines require NPLs to be identified and reported on what we call the common borrower basis at a borrower level and not a particular loan account level. So, that is what we do, and that's been consistent practice for a fair amount of time now. We have not really given the comparative delinquencies between personal loans and cards or between different components of either portfolio. I think, as I mentioned earlier, it is fair to say that as was expected over the last 1-

1.5 years, delinquencies in these portfolios and even overall, the NPL formation in retail have gone up. And we keep taking corrective actions in terms of sourcing. So, hopefully it is stabilizing, and we will see how we go on from here. But nothing really to call out between one or the other. Of course, the personal loan and credit card products are different. Again, as we mentioned earlier, the credit card is a much more core part of the Bank customer relationship and a much higher touch product, and it has its own operational challenges as well as kind of opportunities to differentiate. So, that's the way we would look at both these businesses.

Moderator:
Thank you. Next question is from the line of Kunal Shah from Citi Group. Please go ahead.

Kunal Shah:
If you can just highlight in terms of, within the retail, how would be the proportion between the secured and unsecured in terms of the incremental formation and any change in last couple of quarters vis-à-vis the last year?

Anindya Banerjee:
We have not really given any breakup of that kind. I mean, at a broad level, as I said earlier, we have been saying for, I think, eight quarters that the retail NPL formation at a gross level and at a net level will move up, will normalize upwards. Within that, there has been an increase, of course, in the credit card and personal side. But finally, one has to look at it the overall portfolio and the overall numbers at a credit cost of 40 to 50 bps of advances, how much more breakups will one do.

Kunal Shah:
When we look at the overall credit cost still maybe below 40 odd basis points, not yet the normalized one. We would have seen some kind of a catch up on the unsecured side as well. But are we comfortable that maybe 40 to 50 would be

the broad range for credit cost and maybe beyond 50 doesn't seem like any incremental data points would suggest or maybe the delinquency bucket suggests that it should cross 50 basis points of credit cost?

Anindya Banerjee:
It's very difficult to say with that kind of precision. We have consistently been saying that there will be a gradual normalization, but it is anyway much below historical level and we will see it as it comes. I don't think there is anything today which is alarming us in terms of causing us to believe that it will go up very substantially, but could it inch up over a period of time? It could.

Kunal Shah:
And last data point, LCR you mentioned is 120?

Anindya Banerjee:
Yes.

Moderator:
Thank you. Next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal:
One question I have is on the rating distribution. The rating distribution of corporate portfolio has seen an improvement this quarter. So, unlike the trend that was there in the previous quarters. So, do you maintain any thresholds here? And do you also benchmark yourself to peer on the mix of credit rating?

Anindya Banerjee:
As we have explained, because we have carved out the SME portion into business banking, now the corporate portfolio, basically comprising corporates above Rs. 7.5 billion in turnover and that is the rating cut we have given. So, I think earlier

there used to be some confusion because we were including SME and other players were not and so on and so forth. So, this hopefully is a more comparable cut. And the numbers for the previous periods are also there on the same slide. It's been a pretty stable trend. I guess, we do have certain internal limits in terms of cap on origination of loans in the lower rating buckets, but those are sort of internal to us.

Moderator:
Thank you. Next question is from the line of Param Subramanian from Nomura. Please, go ahead.

Param Subramanian:
Firstly, just data, what is the recovery from written-off accounts in the quarter or the first half of the year?

Anindya Banerjee:
We don't give that number separately. It's already adjusted in the provisions line.

Param Subramanian:
Anindya, what is driving the higher write-off in this quarter? It doesn't seem to have come with any significant P&L impact, but so is this largely fully provided loans and technical?

Anindya Banerjee:
Yes, these were all 100% provided loans. And the way we do write-offs is that, on broadly retail portfolios, we have a days past due based write-off policy. Whereas on the corporate and SME portfolio, it's more on a case-by-case basis. And these were from relatively old, fully provided NPLs that we wrote off this quarter, technical write-off. Of course, even in some of these, we would continue to pursue cash recovery efforts, that will come when it will come, but these are fully provided corporate NPAs of past year.

Param Subramanian:
And just one last question if I can. The NIM impact because of this longer quarter, any number you can highlight would be great.

Anindya Banerjee:
See the total impact on yield is seven basis points or so. So, it will be something within that.

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

Abhishek Murarka:
Two questions. One is on business. One is on fees. On business, I would request for some comment around business banking, especially with regard to demand trends and yield. Is the growth coming at lower yields? And how do you see the sustainability of this growth? And on credit card and PL, you've taken a lot of tightening measures earlier. But now your sequential run rate, is this like a BAU? Or do you expect more impact of the tightening measures taken earlier to still show up in the sequential run rate? So, those are the two questions on business. One quick question on fees. So, if I look at fee to assets, now that your loan mix is changing and your PLCC, vehicle finance, all those are coming down in proportion, do you expect your 1.2% fee to assets also coming down? So, some understanding around that. Thanks, those were my two questions.

Anindya Banerjee:
On the business banking side, Abhishek, we were, maybe till eight or nine years back, not very large players in this segment. And I think over this period of time, we have invested a lot into building this business. I would say in terms of the credit underwriting models and capability, equipping many more virtually our

entire branch network to deal with this set of customers. And thirdly, I think our digital offerings have also helped and this period has also coincided with greater digital adoption in this segment borne out of various government initiatives or just the evolution of the market. So, that has been the basis on which we have grown this segment. And this is one segment where we really focus a lot on the customer 360, because in many cases we would be having a significant share of the wallet, not only across credit, but also across transaction banking, deposits, Fx, and so on. So, that we look at really for the portfolio, the profitability on an overall basis.

In terms of pure lending, it is competitive because I think particularly a couple of the other large private sector peers have, in fact, a longer sort of presence and history in this segment. So, I wouldn't characterize it as a high yield business by any stretch, but it is a profitable business because we are really looking at what all we are doing with the customer.

Abhishek Murarka:
Now it's been quite a few years that we have grown this business quite fast, gained quite a bit of market share. So, even today to be able to maintain a 10% sequential run rate, that's in itself a fairly difficult task. So, do you think it's still because your market share is still low, or this is going to slow down and this kind of sequential growth may not continue anymore?

Anindya Banerjee:
I don't want to talk about sequential growth numbers. But fundamentally, I don't think that our market share is saturated at all. I think we have a long way to go in terms of entities, we can tap and cover and reach. And there are lots of very large potential customer base out there, both in terms of people and their existing banking plus this is also a segment which is growing. I mean, the people are setting up new manufacturing units, they are setting up new service businesses. So, there is enough and more to be done. I don't see any challenge to the market

opportunity for us in this segment at all. What was your second question? It's about fee.

Abhishek Murarka:

Fees. On cards and PL?

Anindya Banerjee:

As I said, cards I think continues to grow at a reasonably robust pace. PL, probably I don't think the disbursal volume may not, I don't have a sense, may not come down too much, but I think they are already down a fair amount from where they were 3-4 quarters ago and repayments also kick in. So, on a portfolio growth perspective, as we mentioned that it has come down from 40% to 17% and you will see it trend-down further over the next couple of quarters definitely. On the fees question, we don't really manage to that metric. What we look at is kind of the overall PPOP and the credit cost. So, it's not that we have a particular fee to income number in mind. I think on fees also, there is more that we can do in terms of growth or in terms of increasing the fee income in areas like transaction banking and Fx in cards also and you know couple of other places as well. So, again on fees, the growth opportunity is there. I don't worry too much about PL coming down and that depleting.

Abhishek Murarka:

These activities you are doing on the fee side to improve the fee growth, is it sort of showing up or it's like a long duration project and your fee to assets or fee to income will not be impacted in the next few quarters because of this?

Anindya Banerjee:

We don't really look at fee to income, fee to assets at all. I mean, we have an overall PPOP kind of aspiration and fee is one element of that. It is probably an element where we have scope for some lift.

Moderator:

Thank you. Next question is from the line of Rahul from Goldman Sachs. Please go ahead.

Rahul:

Just two questions. One is your Slide #31 talks about the mix of two customers in PL and CC. 60 being existing-to-bank, 40 would imply being new-to-bank customers. So, just wanted to understand maybe qualitatively how the behavior in each of these buckets are you seeing on the delinquency side? And this is coming from the fact that we have seen reasonably higher degree of delinquency in the customer that may not necessarily be existing-to-bank or those who are open market customers for different entities. So, just wanted to get some color as to how you see the behavior in these two portfolios?

Anindya Banerjee:

I think as we said earlier, overall in these portfolios, credit costs have normalized upward, delinquencies have gone up. We have taken measures, hopefully, including in the case of PL bringing down the growth. Hopefully we will see stability and some improvement down the line. Nothing more than that to call out. This is put together 14% of the loan book and whatever is happening within this book is getting absorbed within the 40 to 50 basis points of credit cost.

Rahul:

So, the behavior would be similar? So, let's say argumentatively, if existing-to-bank is having X percent of delinquencies would new-to-bank would also be at X percent or they would be 1.2x 1.5x?

Anindya Banerjee:

It can vary, I mean an existing-to-bank customer which has been a not so great quality account sourced in the past may exhibit worse outcome than say quality account that is sourced today say in cards because as I mentioned it is a high-touch product. So, it could vary and really from of course, we keep doing internal analyses on various cuts. I think most important is the sort of credit profile of the customer. And that can vary across these segments.

Rahul:
And, in terms of growth of this portfolio, the growth is now going to be more driven by, I would imagine existing-to-bank customers, or you would continue to hunt for customer outside of this banking relationships also?

Anindya Banerjee:
No, I think, say for example, if you look at the credit card, we have a large untapped base within our own customer base of quality customers who don't have a card, or even if they have our card, are not using it as much as you would like them to. But at the same time, it's also a very good product to acquire a customer. So, for example if we are banking a large corporate or banking some MNC or something, I would be very happy to offer a credit card to their employees at a certain level or who pass the credit filter. So, I think it's really about what is the quality of the customer that you're issuing to rather than getting caught up in existing versus new because that may give some false sense of comfort.

Rahul:
Alright, now I was asking just generally because of the environment. Fair enough. The second quick question was on the outlook on margin. So, it's been trending lower. You talked about cost of deposit being closer to bottoming and whatever the repricing had to happen has happened. But there will be some mix in element as well. So, what's the outlook on the margin that you envisage? I see you got comfort on the loan to deposit side as well. So, would you pull that lever to manage the margins, or do you think it is kind of okay where it is right now?

Anindya Banerjee:

No, I already said that we would expect margins to be broadly stable in the near term. And then when the rate cut cycle starts, of course, the lead-lag will play out on the reverse side with loans repricing faster than deposits. The general expectation is of a relatively shallow cycle. So, we will have to manage through that as and when it happens.

Moderator:

Thank you very much. Ladies and gentlemen, we will take that as the last question. I now hand the conference back over to the Bank. Please go ahead.

Anindya Banerjee:

Thank you for taking time on a Saturday afternoon. And wish you all a very, very happy Diwali from ICICI Bank in advance. Thank you.

Moderator:

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