Analyst call on October 18, 2025: Opening Remarks

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This release does not constitute an offer of securities.

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 FY2026. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

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 the framework of our values to strengthen our franchise. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities with a focus on simplicity and operational resilience, are key drivers for our risk calibrated profitable growth.

The profit before tax excluding treasury grew by 9.1% year-on-year to 161.64 billion Rupees in this quarter. The core operating profit increased by 6.5% year-on-year to 170.78 billion Rupees in this quarter. The profit after tax grew by 5.2% year-on-year to 123.59 billion Rupees in this quarter.

Average deposits grew by 9.1% year-on-year and 1.6% sequentially and average current and savings account deposits grew by 9.7% year-on-year and 2.7% sequentially in this quarter. Total deposits grew by 7.7% year-on-year and 0.3% sequentially at September 30, 2025. The Bank's average liquidity coverage ratio for the quarter was about 127%.

The domestic loan portfolio grew by 10.6% year-on-year. The quarter-on-quarter growth in domestic loan portfolio was 3.3% at September 30, 2025 compared to 1.5% at June 30, 2025. The retail loan portfolio grew by 6.6% year-on-year and 2.6% sequentially. Including non-fund based outstanding, the retail portfolio was 42.9% of the total portfolio. The rural portfolio declined by 1.3% year-on-year and grew by 0.8% sequentially. The business banking portfolio grew by 24.8% year-on-year and 6.5% sequentially. The domestic corporate portfolio grew by 3.5% year-on-year and 1.0% sequentially. The overall loan portfolio including the international branches portfolio grew by 10.3% year-on-year and 3.2% sequentially at September 30, 2025. The overseas loan portfolio was 2.3% of the overall loan book at September 30, 2025.

The net NPA ratio was 0.39% at September 30, 2025 compared to 0.41% at June 30, 2025 and 0.42% at September 30, 2024. During the quarter, there were net additions of 13.86 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 9.14 billion Rupees or 5.4% of core operating profit and 0.26% of average advances. The provisioning coverage ratio on non-performing loans was 75.0% at September 30, 2025. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 0.9% of total advances at September 30, 2025.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.35% and total capital adequacy ratio of 17.00% at September 30, 2025, including profits for H1-2026.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth and grow market share across key segments. We remain focused on maintaining a strong balance sheet, prudent provisioning and healthy levels of capital while delivering sustainable 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 and the 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 9.9% year-on-year and 2.8% sequentially. Auto loans grew by 1.4% year-on-year and remained flat sequentially. The commercial vehicles and equipment portfolio grew by 6.4% year-on-year and 0.5% sequentially. Personal loans declined by 0.7% year-on-year and grew by 1.4% sequentially. The credit card portfolio grew by 6.4% year-on-year and 8.4% sequentially.

Within the corporate portfolio:

- The total outstanding to NBFCs and HFCs was 794.33 billion Rupees at September 30, 2025 compared to 874.17 billion Rupees at June 30, 2025. The total outstanding loans to NBFCs and HFCs were about 4.4% of our advances at September 30, 2025.

- The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 635.83 billion Rupees at September 30, 2025 compared to 628.33 billion Rupees at June 30, 2025. The builder loan portfolio was 4.1% 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 1.3% of the builder portfolio at September 30, 2025 was either rated BB and below internally or was classified as non-performing.

B. Credit quality

The gross NPA additions were 50.34 billion Rupees in the current quarter compared to 62.45 billion Rupees in the previous quarter and 50.73 billion Rupees in Q2 of last year. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 36.48 billion Rupees in the current quarter compared to 32.11 billion Rupees in the previous quarter and 33.19 billion Rupees in Q2 of last year. The net additions to gross NPAs were 13.86 billion Rupees in the current quarter compared to 30.34 billion Rupees in the previous quarter and 17.54 billion Rupees in Q2 of last year.

The gross NPA additions from the retail and rural portfolios were 40.49 billion Rupees in the current quarter compared to 51.93 billion Rupees in the previous quarter and 43.41 billion Rupees in Q2 of last year. 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 26.10 billion Rupees in the current quarter compared to 25.25 billion Rupees in the previous quarter and 25.92 billion Rupees in Q2 of last year. The net additions to gross NPAs in the retail and rural portfolios were 14.39 billion Rupees in the current quarter compared to 26.68 billion Rupees in the previous quarter and 17.49 billion Rupees in Q2 of last year.

The gross NPA additions from the corporate and business banking portfolios were 9.85 billion Rupees in the current quarter compared to 10.52 billion Rupees in the previous quarter and 7.32 billion Rupees in Q2 of last year. Recoveries and upgrades from the corporate and business banking portfolios were 10.38 billion Rupees in the current quarter compared to 6.86 Rupees in the previous quarter and 7.27 billion Rupees in Q2 of last year. There were net deletions of gross NPAs of 0.53 billion Rupees in the current quarter in the corporate and business banking portfolios compared to net additions of 3.66 billion Rupees in the previous quarter and 0.05 billion Rupees in Q2 of last year.

The gross NPAs written-off during the quarter were 22.63 billion Rupees. Further, there was sale of NPAs of 0.06 billion Rupees mainly for cash in the current quarter.

The non-fund based outstanding to borrowers classified as non-performing declined to 23.22 billion Rupees as of September 30, 2025 from 32.98 billion Rupees as of June 30, 2025 and 33.82 billion Rupees as of September 30, 2024.

The loans and non-fund based outstanding to performing corporate borrowers rated BB and below increased to 36.61 billion Rupees at September 30, 2025 from 29.95 billion Rupees at June 30, 2025 and 33.86 billion Rupees at September 30, 2024. This portfolio was about 0.3% of our advances at September 30, 2025. The increase during the quarter was due to upgrade of certain borrowers having non-fund outstanding from non-performing to performing status.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 16.24 billion Rupees or about 0.1% of the total loan portfolio at September 30, 2025 from 17.88 billion Rupees at June 30, 2025 and 25.46 billion Rupees at September 30, 2024. Of the total fund based outstanding under resolution at September 30, 2025, 14.84 billion Rupees was from the retail and rural portfolios and 1.40 billion Rupees was from the corporate and business banking portfolios.

At the end of September, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 226.20 billion Rupees or 1.6% of loans. This includes the contingency provisions of 131.00 billion Rupees as well as general provision on standard assets, provisions held for non fund based outstanding to borrowers classified as non performing, fund and non-fund based outstanding to standard borrowers under resolution and the BB and below portfolio.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 7.4% year-on-year to 215.29 billion Rupees in this quarter. The net interest income was 216.35 billion Rupees in the previous quarter which included interest on tax refund of 3.61 billion Rupees. The net interest margin was 4.30% in this quarter compared to 4.34% in the previous quarter and 4.27% in Q2 of last year. The benefit of interest on tax refund was nil in the current quarter compared to 7 basis points in the previous quarter and nil in Q2 of last year. The margins for the quarter reflect the benefit from the reduction in deposit rates and cost of borrowings as well as the impact of repricing of external benchmark linked loans and investments.

Of the total domestic loans, interest rates on about 55% of the loans are linked to the repo rate and other external benchmarks, 14% to MCLR and other older benchmarks and the remaining 31% of loans have fixed interest rates.

The domestic NIM was 4.37% in this quarter compared to 4.40% in the previous quarter and 4.34% in Q2 of last year. The cost of deposits was 4.64% in this quarter compared to 4.85% in the previous quarter and 4.88% in Q2 of last year.

Non-interest income, excluding treasury, grew by 13.2% year-on-year and 1.3% sequentially to 73.56 billion Rupees in Q2 of FY2026.

- Fee income increased by 10.1% year-on-year and 10.0% sequentially to 64.91 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 was 8.10 billion Rupees in this quarter compared to 13.36 billion Rupees in the previous quarter and 5.41 billion Rupees in Q2 of last year. The timing of receipt of final dividend depends on Annual General Meeting of the respective subsidiaries which are generally held in first quarter of a fiscal year. The year-on-year increase in dividend income was primarily due to receipt of interim dividend from ICICI Securities and ICICI Venture.

On Costs: The Bank's operating expenses increased by 12.4% year-on-year and 3.6% sequentially in this quarter. Employee expenses increased by 5.0% year-on-year and declined by 8.5% sequentially in this quarter mainly due to lower provisioning requirements for retiral benefits. Non-employee expenses increased by 17.3% year-on-year and 12.2% sequentially in this quarter. The year-on-year and sequential increase in non-employee expenses reflects retail business-related expenses and festive season related marketing spends. Our branch count has increased by 263 in H1 of the current year. We had 7,246 branches as of September 30, 2025. The technology expenses were about 11% of our operating expenses in H1 of the current year.

The total provisions during the quarter were 9.14 billion Rupees or 5.4% of core operating profit and 0.26% of average advances compared to the provisions of 18.15 billion Rupees in Q1 of 2026 and 12.33 billion Rupees in Q2 of last year. The sequential decline in provisions reflects the impact of KCC seasonality and healthy asset quality across segments. The annualised credit cost was about 40 basis points in H1 of the current year similar to that in H1 of last year.

The profit before tax excluding treasury grew by 9.1% year-on-year and 3.0% sequentially to 161.64 billion Rupees in this quarter.

Treasury income were 2.20 billion Rupees in Q2 of current year as compared to 12.41 billion Rupees in Q1 of current year and 6.80 billion Rupees in Q2 of the previous year. The lower treasury income during this quarter primarily reflects the increase in yields on fixed income securities.

The tax expense was 40.25 billion Rupees in this quarter compared to 37.44 billion Rupees in the corresponding quarter last year. The profit after tax grew by 5.2% year-on-year to 123.59 billion Rupees in this quarter.

D. Consolidated results

The consolidated profit after tax grew by 3.2% year-on-year to 133.57 billion Rupees in this quarter.

The details of the financial performance of key subsidiaries are covered in slides 33 to 34 and 53 to 58 in the investor presentation.

The annualised premium equivalent of ICICI Life was 42.86 billion Rupees in H1 of this year compared to 44.67 billion Rupees in H1 of last year. The value of new business was 10.49 billion Rupees in H1 of this year compared to 10.58 billion Rupees in H1 of last year. The value of new business margin was 24.5% in H1 of this year compared to 22.8% in FY2025 and 23.7% in H1 of last year. The profit after tax of ICICI Life was 6.01 billion Rupees in H1 of this year compared to 4.77 billion Rupees in H1 of last year and 2.99 billion Rupees in this quarter compared to 2.52 billion Rupees in Q2 of last year.

Gross Direct Premium Income of ICICI General was 65.96 billion Rupees in this quarter compared to 67.21 billion Rupees in Q2 of last year. The combined ratio stood at 105.1% in this quarter compared to 104.5% in Q2 of last year. Excluding the impact of CAT losses of 0.73 billion Rupees in this quarter and 0.94 billion Rupees in Q2 of last year, the Combined ratio was 103.8% and 102.6% respectively. The profit after tax increased to 8.20 billion Rupees in this quarter compared to 6.94 billion Rupees in Q2 of last year. With effect from October 1, 2024, long-term products are accounted on 1/n basis, as mandated by IRDAI, hence Q2 numbers are not fully comparable with prior periods.

The profit after tax of ICICI AMC, as per Ind AS, was 8.35 billion Rupees in this quarter.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 4.25 billion Rupees in this quarter compared to 5.29 billion Rupees in Q2 of last year.

ICICI Bank Canada had a profit after tax of 6.3 million Canadian dollars in this quarter compared to 19.1 million Canadian dollars in Q2 of last year.

ICICI Bank UK had a profit after tax of 6.4 million US dollars in this quarter compared to 8.0 million US dollars in Q2 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 2.03 billion Rupees in the current quarter compared to 1.83 billion Rupees in Q2 of last year.

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