ICICI Bank Limited

Earnings conference call - Quarter ended December 31, 2025 (Q3-2026)

January 17, 2026

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Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Limited Q3-FY2026 Earnings Conference Call. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Bakhshi – Managing Director and Chief Executive Officer of ICICI Bank. Thank you, and over to you, sir.

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 Q3 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 micro-markets. 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 core operating profit increased by 6.0% year-on-year and 2.5% quarter-on-quarter to 175.13 billion Rupees in this quarter. The total provisions during the quarter were 25.56 billion Rupees. This includes additional standard asset provision of 12.83 billion Rupees made pursuant to Reserve Bank of India’s annual supervisory review, which Anindya will explain later on the call. The profit before tax excluding treasury was 149.57 billion Rupees in this quarter compared to 152.89 billion Rupees in Q3 of last year. The profit after tax was 113.18 billion Rupees in this quarter compared to 117.92 billion Rupees in Q3 of last year.

Average deposits grew by 8.7% year-on-year and 1.8% sequentially and average current and savings account deposits grew by 8.9% year-on-year and 1.5% sequentially in this quarter. The Bank continued to see healthy growth in current account deposits and individual term and savings deposits. Total deposits grew by 9.2% year-on-year and 2.9% sequentially at December 31, 2025. The Bank's average LCR for the quarter was about 126%.

The domestic loan portfolio grew by 11.5% year-on-year and 4.0% sequentially at December 31, 2025 compared to 10.6% and 3.3% at September 30, 2025. The retail loan portfolio grew by 7.2% year-on-year and 1.9% sequentially. Including non-fund based outstanding, the retail portfolio was 42.2% of the total portfolio. The rural portfolio grew by 4.9% year-on-year and 7.2% sequentially. The business banking portfolio grew by 22.8% year-on-year and 4.7% sequentially. The domestic corporate portfolio grew by 5.6% year-on-year and 6.5% sequentially. The overall loan portfolio including the international branches portfolio grew by 11.5% year-on-year and 4.1% sequentially at December 31, 2025. The overseas loan portfolio was 2.4% of the overall loan book at December 31, 2025.

The net NPA ratio was 0.37% at December 31, 2025 compared to 0.39% at September 30, 2025 and 0.42% at December 31, 2024. During the quarter, there were net additions of 20.74 billion Rupees to gross NPAs, excluding write-offs and sale. The provisioning coverage ratio on non-performing loans was 75.4% at December 31, 2025. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 0.9% of total advances at December 31, 2025.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.46% and total capital adequacy ratio of 17.34% at December 31, 2025, including profits for 9M-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. Let me first talk about the additional standard asset provisions.

Following its annual supervisory review, RBI has directed the Bank to make a standard asset provision of 12.83 billion Rupees in respect of a portfolio of agricultural priority sector credit facilities wherein the terms of the facilities were found to be not fully compliant with the regulatory requirements for classification as agricultural priority sector lending. There is no change in asset classification or in the terms and conditions applicable to the borrowers or in the repayment behaviour of borrowers as per these terms. The Bank has been originating this portfolio over some years and will work to bring it in conformity with regulatory expectations. This additional standard asset provision will continue until the loans are repaid or renewed in conformity with the PSL classification guidelines.

I will now 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 11.1% year-on-year and 3.2% sequentially. Auto loans grew by 0.7% year-on-year and 0.9% sequentially. The commercial vehicles and equipment portfolio grew by 7.9% year-on-year and 3.2% sequentially. Personal loans grew by 2.4% year-on-year and 1.7% sequentially. The credit card portfolio declined by 3.5% year-on-year and 6.7% sequentially. During the quarter, we saw improved growth trends across the mortgage, rural and corporate portfolios. The sequential decline in the credit card portfolio was due to high festive spends towards the end of the previous quarter, which had resulted in high sequential book growth in that quarter, and saw repayments in the current quarter.

Within the corporate portfolio:

- The total outstanding to NBFCs and HFCs was 791.18 billion Rupees at December 31, 2025 compared to 794.33 billion Rupees at September 30, 2025. The total outstanding loans to NBFCs and HFCs were about 4.3% of our advances at December 31, 2025.

- The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 680.83 billion Rupees at December 31, 2025 compared to 635.83 billion Rupees at September 30, 2025. The builder loan portfolio was 4.3% 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 1.1% of the builder portfolio at December 31, 2025 was either rated BB and below internally or was classified as non-performing.

B. Credit quality

The gross NPA additions were 53.56 billion Rupees in the current quarter compared to 60.85 billion Rupees in Q3 of last year. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 32.82 billion Rupees in the current quarter compared to 33.92 billion Rupees in Q3 of last year. The net additions to gross NPAs were 20.74 billion Rupees in the current quarter compared to 26.93 billion Rupees in Q3 of last year.

The gross NPA additions from the retail and rural portfolios were 42.77 billion Rupees in the current quarter compared to 53.04 billion Rupees in Q3 of last year. There were gross NPA additions of about 7.36 billion Rupees from the kisan credit card portfolio in the current quarter compared to 7.14 billion Rupees in Q3 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 25.39 billion Rupees in the current quarter compared to 27.86 billion Rupees in Q3 of last year. The net additions to gross NPAs in the retail and rural portfolios were 17.38 billion Rupees in the current quarter compared to 25.18 billion Rupees in Q3 of last year.

The gross NPA additions from the corporate and business banking portfolios were 10.79 billion Rupees in the current quarter compared to 7.81 billion Rupees in Q3 of last year. Recoveries and upgrades from the corporate and business banking portfolios were 7.43 billion Rupees in the current quarter compared to 6.06 billion Rupees in Q3 of last year. There were net additions to gross NPAs of 3.36 billion Rupees in the current quarter in the corporate and business banking portfolios compared to 1.75 billion Rupees in Q3 of last year.

The gross NPAs written off during the quarter were 20.46 billion Rupees. Further, there was sale of NPAs of 1.20 billion Rupees for cash in the current quarter.

The non-fund based outstanding to borrowers classified as non-performing was 22.29 billion Rupees as of December 31, 2025.

The loans and non-fund based outstanding to performing corporate borrowers rated BB and below was 33.92 billion Rupees at December 31, 2025. This portfolio was about 0.2% of our advances at December 31, 2025.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines were 16.66 billion Rupees or about 0.1% of the total loan portfolio at December 31, 2025.

At the end of December, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 226.57 billion Rupees or 1.5% 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 BB and below portfolio. These provisions do not include additional standard asset provision as directed by RBI in respect of a portfolio of agricultural priority sector credit facilities.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 7.7% year-on-year and 1.9% sequentially to 219.32 billion Rupees in this quarter. The net interest margin was 4.30% in this quarter compared to 4.30% in the previous quarter and 4.25% in Q3 of last year. The cost of deposits was 4.55% in this quarter compared to 4.64% in the previous quarter and 4.91% in Q3 of last year. The benefit of interest on tax refund was 1 basis point in the current quarter compared to nil in the previous quarter and 1 basis point in Q3 of last year.

Of the total domestic loans, interest rates on about 56% of the loans are linked to the repo rate and other external benchmarks, 13% to MCLR and other older benchmarks and the remaining 31% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 12.4% year-on-year and 2.3% sequentially to 75.25 billion Rupees in Q3 of FY2026.

- Fee income increased by 6.3% year-on-year and 1.2% sequentially to 65.72 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 6.81 billion Rupees in this quarter compared to 8.10 billion Rupees in the previous quarter and 5.09 billion Rupees in Q3 of last year. The year-on-year increase in dividend income was primarily due to receipt of interim dividend from ICICI Securities

On Costs: The Bank's operating expenses increased by 13.2% year-on-year and 1.2% sequentially in this quarter. Employee expenses increased by 12.5% year-on-year and 1.8% sequentially in this quarter, including the impact of 1.45 billion Rupees of provisions on an estimated basis pursuant to the new Labour Codes. Non-employee expenses increased by 13.6% year-on-year and 0.8% sequentially in this quarter. Our branch count has increased by 402 in 9M of the current year. We had 7,385 branches as of December 31, 2025. The technology expenses were about 11% of our operating expenses in 9M of the current year.

The total provisions during the quarter were 25.56 billion Rupees. Excluding the additional standard asset provision, the total provisions were 12.73 billion

Rupees or 7.3% of core operating profit and 0.36% of average advances compared to the provisions of 12.27 billion Rupees in Q3 of last year.

The profit before tax excluding treasury was 149.57 billion Rupees in this quarter compared to 152.89 billion Rupees in Q3 of last year.

There was a treasury loss of 1.57 billion Rupees in Q3 of the current year as compared to gain of 2.20 billion Rupees in Q2 of current year and gain of 3.71 billion Rupees in Q3 of the previous year primarily reflecting market movements.

The tax expense was 34.82 billion Rupees in this quarter compared to 38.68 billion Rupees in the corresponding quarter last year. The profit after tax was 113.18 billion Rupees in this quarter compared to 117.92 billion Rupees in Q3 of last year.

Adjusting for additional standard asset provisioning, the profit before tax excluding treasury would have increased by 6.2% year on year to 162.40 billion Rupees and similarly, profit after tax would have increased by 4.1% year on year to 122.80 billion Rupees in this quarter. Return on average assets and standalone RoE would have been 2.3% and 15.5% respectively in this quarter.

D. Consolidated results

The consolidated profit after tax was 125.38 billion Rupees in this quarter compared to 128.83 billion Rupees in Q3 of last year.

The details of the financial performance of key subsidiaries are covered in slides 33 to 36 and 55 to 60 in the investor presentation.

The annualised premium equivalent of ICICI Life was 68.11 billion Rupees in nine months ended December 31, 2025 compared to 69.05 billion Rupees in nine months of last year. The value of new business increased to 16.64 billion Rupees in nine months ended December 31, 2025 from 15.75 billion Rupees in nine months of last year. The value of new business margin was 24.4% in nine months ended December 31, 2025 compared to 22.8% in FY2025 and in nine months of last year. The profit after tax of ICICI Life was 9.92 billion Rupees in nine months ended December 31, 2025 compared to 8.03 billion Rupees in nine months of last year and 3.90 billion Rupees in this quarter compared to 3.26 billion Rupees in Q3 of last year.

Gross Direct Premium Income of ICICI General increased to 70.41 billion Rupees in this quarter from 62.14 billion Rupees in Q3 of last year. The combined ratio stood at 104.5% in this quarter compared to 102.7% in Q3 of last year. The profit after tax was 6.59 billion Rupees in this quarter compared to 7.24 billion Rupees in Q3 of last year.

The profit after tax of ICICI AMC, as per Ind AS, was 9.17 billion Rupees in this quarter compared to 6.32 billion Rupees in Q3 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 4.75 billion Rupees in this quarter compared to 5.04 billion Rupees in Q3 of last year.

ICICI Bank Canada had a profit after tax of 5.4 million Canadian dollars in this quarter compared to 19.6 million Canadian dollars in Q3 of last year.

ICICI Bank UK had a profit after tax of 5.0 million US dollars in this quarter compared to 5.1 million US dollars in Q3 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.95 billion Rupees in the current quarter compared to 2.03 billion Rupees in Q3 of last year.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. We will take our first question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania:

My first question is on the standard asset provision. So, what is the size of the portfolio on which these provisions were to be made? And what will be the impact on operating expenses now that you have that much lower priority portfolio? Also, what was the classification issue? As in, I mean, what was non-compliant about the classification? So, that's my first question. And my second question is on margins. So, obviously, margins are held steady. There is a rate cut and there is again aggressive competition in mortgage pricing. So, how do you view your margins from here on? Is there some amount of deposit repricing still left, which will help hold up margins at these levels in the near future? So, those were my questions.

Anindya Banerjee:

So, coming to the first set of questions, I think, as we have said, following the supervisory review, the regulator has directed us to make this provision of Rs. 12.83 billion, and that is what has been communicated and we have made it. The underlying portfolio that we need to work out and resolve in terms of ensuring conformity with the PSL guidelines would be between, Rs. 200 to 250 billion or so.

And as far as the cost aspect is concerned, we will be working to bring this portfolio into conformity with the regulatory expectations and thereby minimize both the provisioning and the PSL impact. On the underlying issues, I think those are really observations made by the regulator as part of its inspection process. So, we wouldn't want to go into those details, but the outcomes are what we have reported.

Coming to your next question on margin, as you rightly said, if we look at the current quarter, Q3, which has gone by, we did have the impact of repricing of loans, both on account of repo and MCLR. And we also had the seasonally higher non-accrual impact on the KCC NPAs. This was offset by some amount of deposit repricing and also the benefit of the CRR cut. If we look ahead into Q4, I think that level of non-accrual will not be there. We will see the impact of the repo repricing as well as MCLR on the floating rate loan book, the repo cut which happened in December in particular. But at the same time, we should continue to see some amount of repricing of the retail deposits. So, overall, we would stay with our view that the NIM should be range-bound from here on.

Mahrukh Adajania:
Okay. Thank you. Thanks a lot.

Moderator:
Thank you. We'll take our next question from the line of Rikin Shah from IIFL Capital. Please go ahead.

Rikin Shah:
I had three questions. So, the first one is on, I just wanted to understand, was there any additional PSL cost due to the declassification of this agri-loans as non-PSL? Was there any cost in the P&L this quarter or any potential cost in operating expenses in the quarters to come? So, that's first.

The second one is on the growth. So, just wanted to get a sense, are you seeing any momentum of growth improving, i.e., even on month-on-month basis during

Q3? And would you expect now the growth to improve from the current levels, within the constraints of your quality and risk framework?

And the third one, specifically on the credit card. So, what is weighing on the overall credit card book growth? Is it merely a decline in the share of transactor loans following the festive pick-up in Q2, or there is more to read into it? Those are my questions.

Anindya Banerjee:
So, first, in general, the cost of PSL compliance has been going up. We do meet a part of our PSL obligations by buying the priority sector lending certificates, and the cost of those has steadily gone up over the last few quarters. So, part of the increase, for example, or the level of operating expenses over the last couple of quarters has been due to that. But I would say that is not being done specifically in the context of this regulatory observation. That is something we keep looking at on a totality basis and analysing what is the most efficient thing to do in terms of meeting the priority sector lending requirements.

As far as this particular observation is concerned, as I said, we would be working to kind of bring this portfolio into conformity with the regulatory expectations and thereby minimize the impact. And so, I would not want to call out any additional cost, etc. at this juncture. We will assess it in totality and see where we go, and try to absorb it in the P&L. So, that was the first one.

Your second question was on growth. So, clearly we have seen a pickup in the sequential growth rate in the fourth quarter vis-à-vis the third quarter, despite the rundown in cards, which I will come to separately, certainly there has been a pickup in momentum. And we see that momentum sustaining into the fourth quarter as well. Even the year-on-year growth rate, which is impacted by the trailing four quarters has picked up in the current quarter, reflecting more recent trends. And I would expect that to continue into Q4 as well.

On the credit card specifically, we had a very strong book growth sequentially in Q2 because of the last week festive spends, which were billed and repaid in the current quarter. So, that is the main reason for the movement in the current quarter. We feel that the book should grow from here on.

In both credit cards and PL, one thing, as we have been saying, that the quality of credit has certainly improved. So, if you look at our aggregate retail NPLs, excluding the KCC, have come down in terms of NPL formation. And we are pretty comfortable with the quality now across secured and unsecured.

In personal loans also, a very small uptick, but there has been an uptick in Q3 on the year-on-year growth and the sequential growth. So, we are quite positive on what we are underwriting. And it's a question of leveraging our franchise to grow these businesses. Of course, there is price competition across the board, but that's something we will have to keep optimizing and managing.

Rikin Shah:
So, just a clarification on the first one. While you are not calling out any additional operating expenses-related costs due to this regulatory observation, there would be this Rs. 200 billion-250 billion of the loans which are now declassified as PSL. So, to meet that shortfall, would you be requiring to do more of RIDF bonds or PSLC? Or do you think that the organic PSL generation itself will take care of the shortfall and hence no additional cost impact?

Anindya Banerjee:
So, the first step is that we will work to bring this portfolio into conformity with the PSL requirements. And that is how we will minimize the shortfall and the impact thereof. That would be the first objective. Thereafter, we will assess overall, as we do in any case on an ongoing basis, that to the extent after organic and inorganic generation of priority sector loans, whether we should buy PSLCs or we can live with some amount of RIDF call, that is an analysis that we anyway

do on an ongoing basis. And over the years, we have improved our PSL compliance. So, our RIDF book outstanding currently, on a relatively larger balance sheet, is down to one-third of its peak levels.

Rikin Shah:
Got it, sir. Thank you. And congratulations, Mr. Bakhshi, for the appointment. Thank you.

Sandeep Bakhshi:
Thank you.

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

Kunal Shah:
A couple of questions, sorry, again, to harp upon on the credit card side. But even now, when we look at the portfolio, it is almost at a similar level to where we were in June. In fact, like hardly any growth out there over and above June. And this kind of a trend we had not seen in the earlier years during the festive wherein it tends to run down. So, any particular cohort or maybe like the transactor proportion significantly going up, which is leading to this?

Anindya Banerjee:
So, the transactor portion has gone up for across most players. In our case, there is nothing specific other than the fact that we had an unusually strong growth in Q2, and that has got an offset in Q3.

Kunal Shah:

But how should we compare it with first quarter or maybe Q4 end? Because since Q4 end also, there is a decline in the portfolio, and even from first quarter, it has just been flat over two quarters, despite this trend going up?

Anindya Banerjee:

See, as we have said in the past, we are not looking at credit card just as a product portfolio in itself, but really as part of an overall customer offering, and most of our new launches are aimed at enriching the offering to attract good customers and really be able to bank them on a 360 basis. But as I said, in this quarter, the book decline is more one-off and we should see it gradually improve from here on.

Kunal Shah:

Sure. And secondly, on the corporate side, so significant traction on a quarter-on-quarter basis. And within the risk framework or maybe on a risk-calibrated operating profit level, earlier it was thought that maybe PSU entities would not be giving us that kind of a benefit or operating profit. And we are seeing the increase in the BBB proportion as well. No doubt you have earlier alluded that, that's because of the business banking. But is the larger part of the growth on the corporate also coming in that segment of BBB or not really?

Anindya Banerjee:

No. If we look at our approach to the corporate sector - to the corporate loan growth, one, corporates are well-funded and have multiple sources of funding, to the extent that they are accessing bank funding, we are very happy to participate. It has been very price competitive. So, we do look at what is the overall relationship with the corporate. And wherever we have a franchise and we want to build a franchise, we do participate quite actively.

One of the things that has changed maybe relative to the past couple of quarters is kind of the settling of the benchmark because a lot of the lending is happening at external benchmark linked rates. So, the settling of the benchmark kind of gives us more confidence to price and lend.

From a credit quality perspective, we are quite comfortable with these rating grades. And, we have our own limits on BBB, for example, origination both in terms of aggregate and in terms of borrower size, and we are within those frameworks. So, we are quite comfortable with the quality.

Kunal Shah:
Sure. And lastly, on overall operating expenses growth, now getting closer to like, say, 13% odd, we had seen operating expenses growth being contained almost in a single digit. So, you indicated some cost of compliance being there, but is there any other element? And would we see cost almost settling in a similar level? Or there are maybe cost containment levers which are available and it should grow below the balance sheet growth?

Anindya Banerjee:
We will see whatever is necessary to maximize kind of the overall PPOP. I don't expect, cost to go up at the pace at which they had gone up maybe till a couple of quarters ago. If you would see, sequentially this quarter, other than the impact of the Labour Code, costs would have come down marginally on an absolute basis. So, we will work towards maximizing the PPOP and not really cutting costs per se but definitely leveraging it as well as we can. Of course, one thing is that, as far as the Labour Code is concerned, what we have accounted for is really the additional estimates of liability as they stand today. On an ongoing basis, for all companies and banks, the code will marginally increase the recurring operating costs, but that's something we'll have to just absorb as we go forward.

Kunal Shah:

Okay. Got it. And congratulations Bakhshi sir for the reappointment.

Sandeep Bakhshi:

Thank you.

Moderator:

Thank you. Next question is from Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal:

Hi. Good evening and thanks for the opportunity. I have a few questions. One is on the BB segment. And if I look at the growth in the business banking has been like moderating for quite some time now. We have earlier already talked about that it is a conscious kind of a moderation that we are showing to while the quality overall remains strong. But how are we looking at this on an incremental basis? Do we now look to relax some filters? Has the growth rate now bottomed out? Some color around this?

Anindya Banerjee:

No, business banking, we are at full steam. Actually, the moderation in the growth rate is really just a function of the base. Even this quarter, on a year-on-year basis, we have grown at 22%, and even the accretion this quarter is close to the accretion we've seen on the corporate side probably. The portfolio in itself now is actually larger than the corporate portfolio slightly. So, we are not holding back, and we believe that there is enough untapped space for us to do. As the portfolio grows, the growth rate, will normally moderate. The portfolio quality has also held up well. So, we are quite happy with growing this portfolio.

Nitin Aggarwal:

Okay. And likewise on the unsecured, Anindya when you said that growth rates in credit card and PL will get better. Do you see this like now moving above the overall loan growth or it will just be a recovery from where we are? Because we are currently at a very, very muted levels. Some colors to that?

Anindya Banerjee:

I think that will take some time. When overall loan growth is 11.5% and personal loan is growing at 2%, it would be foolhardy to say that it will cross that level, but we definitely believe it should pick up from these levels.

Nitin Aggarwal:

Right. And one on this standard provision that has happened, like earlier also we have seen this happening in another bank. So just curious to know, like, are large private banks more vulnerable to this RBI directive? I mean, whatever led to this directive from the RBI, are large private banks more vulnerable? Or you can see some things happening for PSU banks also?

Anindya Banerjee:

I really can't comment. We have to take the observation that has been given to us, comply with it and resolve it as best as we can.

Nitin Aggarwal:

Okay, great. Thank you so much.

Moderator:

Thank you. Next question is from MB Mahesh from Kotak Securities. Please go ahead.

MB Mahesh:

There are just two questions. One is on this low growth in deposits on the savings account side. If you could just kind of comment what's happening there?

Anindya Banerjee:

Yes. So actually, over the last two quarters, our growth in the retail savings account, the individual savings account has continued to be quite strong, adjusted for seasonality. That growth typically is much better in the first and second quarters because the salary accounts see a pickup in terms of the year-end payments and so on. But we, even in this quarter, have seen a pretty strong growth in the retail savings account. Over the last two quarters, we have seen a reduction in balances in what we call the institutional banking savings accounts, which is essentially the government entities, the government schemes or departments that we bank. There the floats, the amounts have come down in absolute terms, which has resulted in a lower growth or flat on the overall savings. But the retail savings continues to do quite well. In fact, both the retail savings and the retail term, as well as the current account, all have done we are quite happy with the way they are performing. The institutional SA has proved a bit of a dampener on the overall numbers. That's not that large a proportion of our deposit base, and hopefully, this impact will moderate going forward, but it has been an issue in the last couple of quarters.

MB Mahesh:

Okay. When you say the corporate deposits are not a large number, it's more than a double-digit number that we are talking about here?

Anindya Banerjee:

Yes, the institutional savings account would be 10%-12% now or definitely less than 15% of the average SA base.

MB Mahesh:

Okay. The second question is the share of AA and let's say, the high investment grade, how much are you willing to take it lower as per your internal expectations?

Anindya Banerjee:

See, we are quite comfortable with the A family and above. I think that historically, those ratings have proved to be reasonably stable and that is also where we find better risk-adjusted return. So, we are not hung up particularly on the AA, AAA part of it. And as I said, on the BBB, we have to do it selectively and really look at the counterparty carefully and operate within our limit framework.

MB Mahesh:

Okay, sir. Thanks a lot.

Moderator:

Thank you. We'll take our next question from the line of Param Subramanian from Investec. Please go ahead.

Param Subramanian:

Congratulations to Mr. Bakhshi. But my first question is related to that. So, what is the thought process behind the Board seeking a two-year extension as opposed to a full three-year extension? Because there is nothing holding us back from a regulatory perspective. So how should the stakeholders read into that? Yes, that's my first question.

Anindya Banerjee:

So, I think the Board in consultation with the CEO have decided on a two-year appointment. As you know the current term itself ends in October 2026. So, from now till the end of the renewed term is almost three years. And nothing really further to add to that.

Param Subramanian:

Fair enough. So just if I can follow up on that. So, one might read into it that this might be his last term. So that's sort of, that's the sort of signal that comes through. So, anything you want to add to that?

Anindya Banerjee:

No, as we said, we have three years to go. So, in a lighter vein, we've hopefully addressed the speculation around October '26. And I think it's too early to speculate about October '28.

Param Subramanian:

Okay. Thank you. Very helpful answer. Second question, this is on the results. So, we saw a quarter-on-quarter yield on advances decline of about 21 basis points. Is this almost entirely the KCC reversal impact? This quarter impact would have been minimal.

Anindya Banerjee:

No, there would have been multiple things. So, for example, if you look at the repo cut, which happened in June, while all loans would have repriced some in July, some in August, and some in September, the portion which repriced in September would have seen only one month of impact in Q2 and two months of impact or the full impact in Q3. Similarly, our MCLRs have also come down. We are down by about 75 basis points in this rate cut cycle. So, that would also have progressively impacted the portfolio as it repriced. So, those would be equally relevant as far as the yield on advances is concerned.

Param Subramanian:

Fair enough. Thanks, Anindya. So, it means the KCC is not as much?

Anindya Banerjee:

As we said, just to be clear, to avoid confusion, the RBI observation on standard asset provisioning has no impact on asset classification. On a regular basis in Q1 and Q3 of every year, we see seasonally higher NPLs on the rural product, which is what leads to the non-accrual, and that has happened this year in Q3 as it happened in Q1 and as it happened in Q3 and Q1 of last year at the normal level. In addition, of course, we have had this whole repricing impact of the loan book, both the external benchmark-linked book and the MCLR linked book.

Param Subramanian:

Got that, Anindya. Very clear. Last question, if I may, on the fees, right? So, I mean, core fee has been sort of soft at 6% YoY. So, how should we look at it? Will this pick up when the retail loan growth eventually starts picking up? Or is unsecured or credit cards the number to track?

Anindya Banerjee:

So, in this quarter, the cards and payments piece has been something which has been a bit of a drag in terms of year-on-year growth in this number, that we hope will pick up. Loan growth also should contribute, although a lot of the loan related fees, the processing fees and so on are under some competitive pressure. But hopefully, we would want to grow this number from here on. One good thing is that it's an extremely granular number. As we have said, 78% of the fees even in this quarter were from the retail, rural and business banking portfolios. And even the corporate fees are transaction banking-oriented fees.

Param Subramanian:

Fair enough. Thank you so much. Congrats on the quarter.

Anindya Banerjee:

Thank you.

Moderator:

Thank you. We'll take our next question from the line of Suresh Ganapathy from Macquarie Capital. Please go ahead.

Suresh Ganapathy:

Yes, Anindya, what is your LCR this quarter?

Anindya Banerjee:

126%.

Suresh Ganapathy:

Okay. And post the new April 2026 guidelines, would it go up or go down?

Anindya Banerjee:

It will be kind of similar.

Suresh Ganapathy:

Okay. Flattish kind of a level. So, would you want to maintain around current levels LCR or what exactly do you guys consider? I mean, the normative level.

Anindya Banerjee:

I think that we kind of have a certain funding structure and we maintain a certain amount of liquidity as a cushion. And that results in this number. So, can it go up down 2-3 percentage points? It could. This is, of course, the number that we report is the average for the quarter. So, in every month, there would be periods when it, for example, goes down to 120 or something like that. But yes, at an average level, this is probably an okay level, somewhere above 120 or higher. We don't have a strict policy on that, but that's where we've been operating.

Suresh Ganapathy:

Okay. So, my final question is related to this, because if you look at it on a YoY basis, the deposit growth has lagged loan growth. We have seen a rising LDR. So, is LDR a constraint or is just a mere outcome? As long as you maintain all these ratios intact, even if it goes up, it doesn't matter for the management or the Board. Is that the way we should look at it?

Anindya Banerjee:

See, LDR is a function of what is the liability structure on the balance sheet and banks with higher capital ratios, higher capital levels, higher net worth as a proportion of loans can afford a higher LDR. And it's also a function of the regulatory pre-emption. So, this quarter, for the entire system and for us and most banks, the LDR would have gone up because of the CRR cut. Given the current level of capital that we hold and the regulatory requirements of liquidity, this is an okay level. I don't see it going up from here. It can moderate marginally, but we are quite comfortable at this level. In terms of our funding side, as we always say, we want to maximize the retail deposits and CASA. And then we look at the different types of wholesale funding available, which could be refinance, bonds, wholesale deposits and so on. And our reliance on wholesale deposits is pretty moderate.

Suresh Ganapathy:

Okay. Thank you, it’s clear.

Moderator:

Thank you. Ladies and gentlemen, we'll take that as the last question for today. I now hand the conference back to management for closing comments. Over to you, sir.

Anindya Banerjee:

Thank you very much for joining us on a Saturday evening, and we'll be available to take other questions. Thank you.

Moderator:

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