May 6, 2024

BSE Limited
Listing Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai 400 001

National Stock Exchange of India Limited
Listing Department
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (East), Mumbai 400 051

Dear Sir/Madam,

Please find attached the transcripts of the Call with Media and of Earnings Call with analysts and investors on the financial results for the quarter and financial year ended March 31, 2024.

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

Sr. No	**Particulars**	**Link**
1.	Transcript of the Media Conference Call	https://www.icicibank.com/about-us/article/interaction-with-media-icici-bank-financial-performance-in-the-quarter-ended-march-2024
2.	Transcript of the Earnings Call with Analysts and Investors	https://www.icicibank.com/about-us/qfr

This is for your records and information.

Yours sincerely,
For ICICI Bank Limited

VIVEK RANJAN

Digitally signed by VIVEK RANJAN
DN: cn=VIVEK RANJAN, o=ICICI BANK LIMITED, ou=ICICI, email=vivek178@yahoo.com, c=IN
Date: 2024.05.06 11:08:24 +05'30'

Vivek Ranjan
Assistant General Manager
Encl.: as above

Copy to-
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ICICI Bank Limited Media conference call for quarter ended March 31, 2024 on April 27, 2024

Certain statements in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions, political or economic instability in the jurisdictions where we have operations or which affect global or Indian economic conditions, increase in nonperforming loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov

This release does not constitute an offer of securities.

Moderator:

Ladies and gentlemen, we welcome you all to ICICI Bank's results conference call with Mr. Sandeep Batra, Executive Director, ICICI Bank, and Mr. Anindya Banerjee, Group Chief Financial Officer, ICICI Bank.

Mr. Batra will now give you an overview of the results, which will be followed by a Q&A session. Thank you and over to you, sir.

Sandeep Batra:

Thank you so much, and good evening everyone and thank you all joining us on this Saturday afternoon.

The Indian economy continues to remain resilient amidst international geopolitical tensions, with upward revision in the GDP growth estimate for first half of FY2025 by RBI, reflecting the consistent actions and initiatives of the policymakers. The underlying growth momentum is visible in several indicators such as expansion in manufacturing PMI and healthy tax collections. We continue to monitor the evolving global and Indian economic developments.

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

Our Board has today approved the financial results for the quarter and year ended March 31, 2024. I would like to highlight some key numbers:

First of all, on the profit and capital:

A. Profit and capital

1. Net interest income increased by 8.1% year-on-year to Rs. 19,093 crore in Q4-2024
2. The net interest margin was 4.40% in Q4-2024 compared to 4.43% in Q3-2024 and 4.90% in Q4-2023. Net interest margin was 4.53% in FY2024
3. Fee income grew by 12.6% year-on-year to Rs. 5,436 crore in Q4-2024
4. Provisions (excluding provision for tax) were Rs. 718 crore in Q4-2024
5. Profit before tax excluding treasury, grew by 19.2% year-on-year to Rs. 14,602 crore in Q4-2024
6. Core operating profit grew by 10.5% year-on-year to Rs. 15,320 crore in Q4-2024
7. The profit after tax grew by 17.4% year-on-year to Rs. 10,708 crore in Q4-2024
8. The consolidated profit after tax grew by 18.5% year-on-year to Rs. 11,672 crore in Q4-2024
9. The standalone RoE was 18.5% in Q4-2024

10. The Board has recommended a dividend of Rs. 10 per share for FY2024. The declaration and payment of dividend is subject to requisite approvals
11. At March 31, 2024, the Bank had a net worth over Rs. 2.4 lakh crore. After reckoning the impact of proposed dividend, CET-1 ratio was 15.60% and total capital adequacy ratio was 16.33%

Moving on to deposit Growth:

B. Deposit growth

1. Total period-end deposits increased by 19.6% year-on-year to Rs. 14,12,825 crore at March 31, 2024
2. Period-end term deposits increased by 27.7% year-on-year to Rs. 8,16,953 crore at March 31, 2024
3. Average current account deposits increased by 13.0% year-on-year
4. Average savings account balance increased by 4.6% year-on-year
5. The Bank opened 152 branches during Q4-2024, 623 branches in the last 12 months and had a network of 6,523 branches and 17,190 ATMs and cash recycling machines at March 31, 2024
6. The Bank added about 12,000 employees in the last 12 months and had about 141,000 employees at March 31, 2024

Moving to loan growth:

C. Loan growth

1. The domestic loan portfolio grew by 16.8% year-on-year and 3.2% sequentially at March 31, 2024
2. The retail loan portfolio grew by 19.4% year-on-year and 3.7% sequentially. Including non-fund outstanding, the retail loan portfolio was 46.8% of the total portfolio. The Bank calibrated its pace of growth in personal loans and it grew by 32.5% year-on-year in current quarter as compared to 37.3% in previous quarter. The Bank continued to work on increasing pricing, further refining credit parameters and optimising sourcing costs resulting in lower disbursements of personal loans during the quarter as compared to the previous quarter. The credit card portfolio grew by 35.6% year-on-year and 6.5% sequentially. The business banking portfolio grew by 29.3% year-on-year and 5.7% sequentially. The SME business, comprising borrowers with a turnover of less than Rs. 250 crore, grew by 24.6% year-on-year and 3.8% sequentially. The rural portfolio grew by 17.2% year-on-year and 4.5% sequentially.

Growth in the domestic corporate portfolio was 10.0% year-on-year and flat sequentially at March 31, 2024

3. 67.7% of the total loan portfolio, excluding, retail and rural, was rated A- and above at March 31, 2024

Moving to digital initiatives:

D. Digital initiatives

1. We continue to enhance the use of technology in our operations and to provide solutions to customers. iLens, the retail lending platform, is being upgraded on an ongoing basis, with personal loans and education loans now integrated in the platform along with mortgages. About 71% of trade transactions were done digitally in FY2024. The volume of transactions done through Trade Online platform grew by 29.2% year-on-year in FY2024. We have further simplified bank guarantee journeys with new enhancements. Smart BG Assist is a solution to enable digital execution of bank guarantees for creating and validating text, e-stamping, digital signatures among others.

Moving to asset quality:

E. Asset Quality

1. The net NPA ratio declined to 0.42% at March 31, 2024 from 0.44% at December 31, 2023 and 0.48% at March 31, 2023
2. During Q4-2024, there were net additions to gross NPAs of Rs. 1,221 crore
3. The gross NPA additions were Rs. 5,139 crore in Q4-2024 compared to Rs. 5,714 crore in Q3-2024. Recoveries and upgrades of NPAs, excluding write-offs and sale, were Rs. 3,918 crore in Q4-2024 compared to Rs. 5,351 crore in Q3-2024
4. The gross NPAs written off were Rs. 1,707 crore in Q4-2024
5. There was sale of NPAs of Rs. 327 crore for cash and security receipts in the current quarter
6. The provisioning coverage ratio on NPAs was 80.3% at March 31, 2024
7. The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to Rs. 3,059 crore or 0.3% of total advances at March 31, 2024 from Rs. 3,318 crore at December 31, 2023. The Bank holds provisions amounting to Rs. 975 crore against these borrowers under resolution, as of March 31, 2024.

8. The loan and non-fund based outstanding to performing borrowers rated BB and below reduced to Rs. 5,528 crore at March 31, 2024 from Rs. 5,853 crore at December 31, 2023.
9. The total provisions during Q4-2024 were Rs. 719 crore or about 4.7% of core operating profit and about 0.2% of average advances. The Bank continues to hold contingency provisions of Rs. 13,100 crore at March 31, 2024.

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

With this, I conclude my opening remarks. I will be happy to take your questions.

Moderator:

Thank you very much, sir. We will now begin the Q&A session with Mr. Batra and Mr. Banerjee. Anyone who wishes to ask questions may press ‘*’ and ‘1’ on their telephone. If you wish to remove yourself from the question queue you may press ‘*’ and ‘2’.

Today's announcement is on the Bank's financial performance. Hence, we would like to request you to ask questions related to that. Please write to the corporate communications team separately for any other queries. Due to time constraints, I request all of you to ask two questions at a time. If you have additional queries, you may join the queue again.

Sandeep Batra:

I just wanted to clarify that the Bank’s personal loan grew at 32.5% and not 35.5%, which I said.

Moderator:

Thank you very much. The first question is from the line of Shayan Gosh from Mint. Please go ahead.

Shayan Gosh:

Two questions. The first is how confident are you of the resilience of your IT infra when it comes to regulatory scrutiny? The second is, have you received any particular feedback from the RBI in the past couple of years that the regulator has repeatedly expressed concerns about?

Sandeep Batra:

IT resilience and customer security is of paramount importance to us and this is not constrained by any budget. In fact, our IT and cybersecurity spend as a percentage of overall spend between 2019 has moved up from 5.6% to about 9.4% in the current fiscal year. Having said that, this is an ongoing effort and there could be instances of outages and errors in any bank. We have an ability to take quick recovery and corrective actions and we will remain focused on improving our capabilities with the barrier. As regarding discussions with the regulator, this is an ongoing discussions on every aspect which we have and we remain focused on complying with the regulatory guidelines which RBI gives us from time-to-time.

Moderator:

We will take the next question from the line of Ankur Mishra from ET Now Swadesh. Please go ahead.

Ankur Mishra:

I just wanted to draw your attention towards the margins front, which you have posted around 4.4%. What does the year look like? I know you don't give guidance generally, but I want to extend the part asking, how are you going to maintain your profit when you're saying, it will be more on a volume front or you will go for protecting the margin?

Sandeep Batra:

As you are aware, the net interest margin was 4.4% in this quarter compared to 4.43% in the previous quarter and 4.9% in Q4 of last year. In Q3, I mean, we had the benefit of about 4 bps on account of interest on income tax refund. For the full year, NIM has been about 4.53% and which compares very similar to what was there in FY'23 at about 4.48%. As you are aware, our objective is to maximise overall profitability, which includes all levers. They include them of course is an important lever. There are expenses, there is fees and there is of course provisions. As a business what we really focus on is growth of risk-calibrated operating profit, which is of course core operating profit less provisions. We will continue to grow our liability franchise in healthy ways and optimise both the cost as a starting point and then price or lending opportunities in an appropriate way. As we are aware, we have been talking about trying to deliver a 360 system from an overall customer point of view. We do expect NIM should be range-bound adjusted for seasonality of cost until unless there is any change in repo ratio. As there are imponderables during the year which we are not really aware of. As we have mentioned, repricing of term deposits will continue even in Q1 of 2025. Going ahead, we do expect RBI to undertake a shallow rate cut sand we will see how this goes along during the course of the year.

Ankur Mishra:

Also, in the year ahead, where do you think will be the levers of growth for your Bank?

Sandeep Batra:

The levers continue to be the same. I mean, India is an opportunity. As we have been saying we will look at risk-calibrated growth. There is of course growth of the balance sheet which is also a lever which is likely driven by the economic activities, and you know the economy as well as I do. For us there are levers in terms of gains interest rates that we charge to our customers, the cost of funds which we pay to our depositors and there is a fee line that we have in terms of offering various services to our customers and there are multiple levers of expenses which include outsourcing costs, there are internal costs and of course there is a line of provision. So, there are six or seven levers which are there for a bank at all periods of time. As the levers could be different during the course of the year, it could also be different by various markets and product segments that we operate in. And our objective is to optimise the opportunities. And of course, needless to say, we will operate within the guard rails of defined risk parameters.

Moderator:

Our next question is from the line of Falaknaaz Syed from Deccan Chronicle. Please go ahead.

Falaknaaz Syed:

This capital raising, certificate of deposits in the overseas market of $ 1.5 billion and NCDs Rs. 25,000 crore. At what rate are you raising? What will the proceeds be used for? When will the capital raising happen?

Sandeep Batra:

As you are aware we take this enabling approval in the beginning of the year. Even last year we had taken a similar kind of an approval. During the course of the year, we look at various opportunities, if the rates become favorable, then at various points of time we can look at raising. So, at this point of time, there is not a definitive plan. This will play out during the course of the year, depending on our needs of funds and the rates that we are going to be getting from the market at that point of time. Could be both domestic and international, as you are aware, it's about Rs. 25,000 crore domestically and about $1.5 billion for international markets.

Falaknaaz Syed:

One clarification. I always thought that Lombard was a subsidiary of the Bank, but the release is saying that it has ceased to be an associate and has become a subsidiary of the Bank. So, what is the plan of action there now?

Sandeep Batra:

I think when Lombard merged with Bharti AXA about four years back, it seems to be a subsidiary. We held around 48% at that point of time. In the last quarter we have increased our stake. Now, it has become a subsidiary again. So, that is what is the change.

Falaknaaz Syed:

RBI has asked one of the lenders not to issue fresh credit cards. So, how much of market share will you gain? How will that help your business?

Sandeep Batra:

No, I don't think so it's fair to make any comments around that. We remain focused on our own business and we remain focused on our own IT resilience and cybersecurity. I'm sure they will be taking corrective actions and we wish them luck.

Falaknaaz Syed:

And branch expansion plan, what's the target for this year?

Sandeep Batra:

As you are aware, we do have a micro market approach for opening branches. It comes bottoms up and then we make an assessment. During the course of the year, we opened about 623 branches. We do expect to open a similar number of branches in FY'25.

Moderator:

The next question is from the line of Hamsini Karthik from The Hindu Business Line. Please go ahead.

Hamsini Karthik:

I have a request to make before I can ask my question. It would be really nice and helpful if you could please put out your presentation, it would help us understand your numbers more granularly, before we can put out our questions up. Just one of the things that I'm picking up from the street is that some of the banks have cut down their lending on the personal loan front in the Rs. 10 to 15 lakh bracket. I would like to understand what is ICICI's experience, and as a basket of unsecured personal loans how are you seeing the health and quality of this involved for the bank specifically?

Sandeep Batra:

We have been very happy with the quality of the portfolio of personal loans that we have been talking about and I think we have learned this over a period of time. As you are aware, we continuously look at recalibrating our nexus at various periods of times and clearly bureau scores are better in ticket size. At a lower end, a very, very small portion of our overall business. I think we keep on looking at the retail portfolio, recalibrating it and whatever meets our overall threshold, we focus on that. But, it is the fact that we have sort of recalibrated as I talked about the growth in our personal loans. This quarter it was down to about 32.5% against the previous quarter of about 37%. This is lying with what is happening in the market and our assessment of risk.

Hamsini Karthik:

Where was the share of NBFCs to the corporate loans be in this quarter? And I would also like to understand the GNPA number of retail loans?

Sandeep Batra:

NBFCs loan to retail?

Hamsini Karthik:

On your wholesale book, sir, share of NBFC loans and your wholesale book. How has that changed in the last one year?

Sandeep Batra:

It has come down. I will just give you the number. Total outstanding to NBFCs and HFCs was about Rs. 77,000 crore in March 2024 compared to about Rs. 78,000 crore in December 2023. This constituted about 6.5% of our total advances. So, that is broadly the number. Last year this number was about Rs. 82,000 crore.

Hamsini Karthik:

And the GNPA for retail portfolio, sir?

Sandeep Batra:

No, we don't give a segmental GNPA. We are comfortable with the overall positions which we have disclosed as part of a finance.

Hamsini Karthik:

On the capital raising front, any particular reason why you prefer to dip into debt at this point in time over equity?

Sandeep Batra:

We have got a very healthy equity ratio. We have got no need for equity at all. Debt is an option which is available and amongst the overall scheme of things, this is a small amount which we will use in case opportunities come in terms of pricing.

Moderator:

The next question is from the line of Jinit Parmar of Moneycontrol. Please go ahead.

Jinit Parmar:

My first question is, in the last quarter you had done some provisioning on your AIF investment. So, in March we got a measure from RBI. So, just wanted to get an understanding that have you done any write-backs from the provisioning and also are you keen on investing more in AIF?

Sandeep Batra:

No, I think the RBI guidelines did provide some relief. We made a provision for about Rs. 630 crore last quarter. Based on our current assessments we have written back about Rs. 100 crore.

Jinit Parmar:

Anything on investing more in AIF?

Sandeep Batra:

There is no current proposal on the table at this point of time.

Jinit Parmar:

Second thing is on a few days back, you had a digital breach on your credit card, if I'm not wrong, concerning your app and specifically for credit card customers. So, then you had said that if there is any monitoring loss to customers, you would look into some compensation. So, just wanted to get an understanding that has there been any request from customers particularly on the compensation part or have you provided any compensation?

Sandeep Batra:

No, there has been nothing material which has come at this point of time. I think we have already given a press release to the extent the issue has been addressed, and even then we had reassured our customers that if there has been a misuse of that card we will compensate that, we will see how this goes. But from our point of view, we have taken all the corrective actions that we needed to take.

Moderator:

We take our next question from the line of Ashish Agashe from PTI. Please go ahead.

Ashish Agashe:

You mentioned about corporate loans being flat QoQ. Generally, Q4 is the most biggest of the corporate. So, what led to that? And secondly, what's your outlook on that?

Sandeep Batra:

Sorry, I didn't quite get your question. I mean you said corporate loans were -

Ashish Agashe:

Corporate loans were flat on quarter-on-quarter. Generally, Q4 is the busiest. So, what led to it being flat?

Sandeep Batra:

Corporate loan also includes NBFC portfolio and there were a few highly rated PSU NBFCs, which sort of reset loans. Barring that, we have grown this book year-on-year on 10%. So, we will look at the overall portfolio. So, in terms of the growth, in terms of the areas that we really want to be focused on, we are quite happy with the growth. As you are aware, we follow a 360-degree approach with the objective of catering to all banking needs. As far as capex is concerned, you're right, I mean the government and PSU are leading the capex cycle and of course, we do expect to attract more private capex during the course of the year.

Ashish Agashe:

Secondly, why is the NII grown at 8% in the current quarter? Also because both the compression margin is not so large or the loan growth is also quite substantial, but what would be the reason for that?

Sandeep Batra:

You see, sequentially the NIMs are coming down.

Ashish Agashe:

YoY basis?

Anindya Banerjee:

On a YoY basis, if you look at it in the fourth quarter last year, we had our peak net interest margin of 4.9%, which is at 4.4% this quarter. So, that drop in margin has partly offset, as you rightly said, the underlying growth in the assets.

Ashish Agashe:

You mentioned about 12,000 people being added during the fiscal year. From a sort of a qualitative perspective there, what has been the impact of a player like Jio known for the aggression on the entire staffing side?

Anindya Banerjee:

Sorry we didn't get the question. Asking about the impact on -?

Ashish Agashe:

An aggressive player like Jio Financial because generally there is this notion about ICICI Bank staff being their favourite. That way sir.

Anindya Banerjee:

Nothing specific to call out. You know we respect and look at what all current and new competitors are doing and frame our strategies in line with what we believe we have to offer our customers, so that's about it, nothing specific to call out.

Moderator:

Our next question is from the line of Richard Fargose from Informist. Please go ahead.

Subhana Shaikh:

This is Subhana Shaikh calling from Informist Media. Sir, my question is regarding co-lending. Sir, you just said you know that you've been witnessing slowdown in your unsecured and personal growth and you want to recalibrate that growth. So, on co-lending, are there any concerns, are you hesitant to partner with other NBFCs?

Sandeep Batra:

We look at partners and in case it makes sense, we do it. But at this point of time, this is a very, very small portion of our overall lending. I mean for us, we look at customers from a 360 basis and what would like to have the overall relationships. If anything fits within that, we do it, otherwise it's okay.

Subhana Shaikh:

Are you hesitant in terms of partnering with other NBFCs for that matter?

Sandeep Batra:

We do make an assessment. If it makes sense from an overall angle, we will look at it. But, it has to make both commercial and it has to pass our filters. Wherever that does, we will do it.

Subhana Shaikh:

If you could throw some light on slippages as to what were your numbers for the Jan-March quarter and what segment contributed towards your slippages?

Sandeep Batra:

You're talking about the quarter?

Subhana Shaikh:

Yes, on the quarter.

Sandeep Batra:

For the quarter, we had the total slippage of about Rs. 5,139 crore. The retail and business banking constituted about Rs. 4,900 crore of it. Corporate and SME was Rs. 211 crore. In terms of recoveries, the total recoveries were Rs. 3,918 crore. And retail and business banking recoveries most of it, which is Rs. 3,200 crore odd. And corporate and SME recoveries have been about Rs. 700 crore. So, with a net addition of about Rs. 1,221 crore.

Moderator:

We take the next question from Ritu Singh from CNBC TV 18. Please go ahead.

Ritu Singh:

Sir, just wanted to follow up on that initial question on the IT infrastructure. Anything out of the ordinary in your conversation with RBI about the status of the resilience of the IT infrastructure? Do you expect for the bank spend to go up further from 9.4% in FY'24?

Sandeep Batra:

Discussions with the regulator are confidential and we do have discussions with the regulator on every aspect of the business, which includes IT. In terms of the IT spends being 9.4% of 2024, as I mentioned, our resilience and customer security is paramount, and it is really not constituted by the amount of money. Whenever we need to spend money that has never been a constraint, we will remain focused. Having said that, with this scale, there can be odd outages which do happen, and errors do happen at this scale. We would like to remain focused on ensuring quick recovery and this is an area which is always a work-in progress, and we will continue to improve our capabilities in this area with the evolving technology and environment as we go along.

Ritu Singh:

While you did not give any guidance, just wanted a broad commentary on any specific segments where you're seeing a stronger credit demand? Where you expect the growth in June to the bank this year, of course within the parameters of your guard rails that you have in place?

Sandeep Batra:

As you are aware, we keep on looking at opportunities both at the micro market level and even from an overall angle. Wherever we do find opportunities, it meets the risk and reward framework, we are more than happy to lend. We have been doing this consistently for many years and the strategy will continue to remain. As India's GDP will continue to evolve, so will our overall strategy. We are confident of India's growth and in line with whatever growth that happens within the country and if it falls within our risk framework, we are happy to lend.

Moderator:

The next question is from the line of Ben from the New Indian Express. Please go ahead.

Ben:

My question is- you said that your first slippage is almost 95% came from retail. You said unsecured loan side or is it the farm loan, what is that?

Sandeep Batra:

No, we don't give the break-up, but this is a combination of retail, rural as well as business banking. But if you see the net slippages has been just about Rs. 1,221 crore from our overall business. So it's not really a very high number.

Ben:

How good is the reports about the delinquency level spike in the level in personal loans and credit cards? How good is the asset quality of these two verticals for you?

Sandeep Batra:

As we have mentioned, I think we are quite comfortable with the quality of book that we have maintained and the NPA numbers are well within our tolerance limits. We continue to look at this book carefully and wherever we have to recalibrate based on risk parameters, we do it on a regular basis.

Moderator:

We take our next question from Preeti Singh from Bloomberg. Please go ahead.

Preeti Singh:

I just wanted a clarification. I couldn't hear very well. So, you said that your IT spends had increased from 5.6% in 2019 to 9.4% for this fiscal 2024, is that correct?

Sandeep Batra:

That's right.

Preeti Singh:

And you said also as part of your total spend, so I guess your total expense, right? Just clarifying the language here.

Sandeep Batra:

That is part of our total spend, yes, our total expenses. IT spends are becoming larger part of it and naturally so given the extent of digitisation and technology that is being deployed. Yes, this is part of the spending OPEX also, just want to clarify.

Preeti Singh:

You said broad outages can happen, but you basically ensure quick recovery. So, I wanted to check, do you have like an internal benchmark which is different from the benchmark that RBI might set for these things?

Sandeep Batra:

We keep on looking at our systems and it depends our systems that we do categorise it. For customer facing systems, obviously, the benchmarks are certainly tighter and we monitor them 24/7 and keep on looking at how they are working and this happens during the normal course of business in any case. You would know if I have a problem as fast as I do so as the customers.

Moderator:

Next question is from Anshika Kayastha from Hindu Business Line. Please go ahead.

Anshika Kayastha:

Just a couple of other large banks have mentioned that given the pressure on deposit accretion that is being seen, we could see some amount of slowdown in the loan growth in the coming year. Just wanted to understand, how are using the loan and deposit dynamics for the playout for you and do you expect a moderation in certain loan segments in the coming years?

Sandeep Batra:

Deposit growth for the banking system has increased about 12.9% year-on-year. As far as we are concerned, during the last quarter, we grew at about 19.6% and 6% sequentially. The term deposits have grown by about 27% year-on-year and about 1.6% sequentially. Even the average deposit has been growing at a healthy rate of about 19.9%. We are not going to be raising deposits at any cost. From our point as a Bank, we believe in trying to meet the entire banking needs of a customer. So, it is not necessarily about a bank deposit, or a CA, or a SA. It's about especially the overall money in bank. We remain focused on that. So, as long as we are able to do a 360-degree approach and provide good service to our customers, we should be okay.

Anshika Kayastha:

Do you expect the loan growth to sustain at this level going ahead?

Sandeep Batra:

It's very difficult to forecast what is going to happen in the future and we don't really kind of forecast. For us maintaining liquidity is important as we reported. The average LCR for the quarter was about 123%. We have been going at a healthy rate. We will see how it pans out during the course of the year. It's very difficult to change them. For us, it's important to focus on the service. For us, it's important to ensure that we have the right set of values, systems and processes in place to serve our customers to the best of our ability. We will continue to remain that and if we are able to look after the interests of the customers, I think deposits will grow in line with how the country has been growing.

Moderator:

Our next question is from Sachin Kumar from Financial Express. Please go ahead.

Sachin Kumar:

My questions have been asked.

Moderator:

Our next question is from Mimansa Verma from NDTV Profit. Please go ahead.

Mimansa Verma:

My question is on the capital adequacy ratio. Year-on-year, this is about 201 basis points. Can you throw some light on that over the years?

Sandeep Batra:

There are a couple of things. One is of course there has been a growth during the course of the year. But from a year's perspective, there was a reduction. The RBI guidelines also have some kind of an impact and then we did acquire some shares in ICICI Lombard which also has an impact. But having said that, our overall capital adequacy ratio remains healthy at 16.33%.

Mimansa Verma:

I could not hear you.

Sandeep Batra:

I mentioned that we remain quite healthy in terms of capital adequacy ratio for the year. It is 16.33%, which is for March. The reduction that you're talking of between the last fiscal and the current fiscal year is on account of RBI regulations around NBFCs and personal loans, which they gave place which had an impact, which we sort of reported in the last quarter. During this quarter, there is a small impact on account of our acquisition of shares in ICICI Lombard. Notwithstanding that, we have pretty healthy capital adequacy ratio. So, the 16.33 number as of March was about 18.34. So, there has been a bit of a drop on the reasons that I really talked about and of course there has been growth in the balance sheet during the course of the year.

Moderator:

This brings the conference call to an end. On behalf of ICICI Bank, we thank you all for joining us. You may now disconnect your lines. Thank you again.

Analyst call on April 27, 2024: Opening Remarks

Certain statements in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions, political or economic instability in the jurisdictions where we have operations or which affect global or Indian economic conditions, increase in nonperforming loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov

This release does not constitute an offer of securities.

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 Q4 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

The Indian economy continues to remain resilient amidst international geopolitical tensions, with upward revision in the GDP growth estimate for first half of FY2025 by RBI, reflecting the consistent actions and initiatives of the policymakers.

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

The profit before tax excluding treasury grew by 19.2% year-on-year to 146.02 billion Rupees in this quarter and by 28.3% year-on-year to 544.79 billion Rupees in FY2024. The core operating profit increased by 10.5% year-on-year to 153.20 billion Rupees in this quarter and by 18.3% year-on-year to 581.22 billion Rupees in FY2024. The profit after tax grew by 17.4% year-on-year to 107.08 billion Rupees in this quarter. For the fiscal year 2024, the profit after tax grew by 28.2% year-on-year to 408.88 billion Rupees. The Board has recommended a dividend of 10 Rupees per share for FY2024, subject to requisite approvals.

Total deposits grew by 19.6% year-on-year and 6.0% sequentially at March 31, 2024. Term deposits increased by 27.7% year-on-year and 1.6% sequentially at March 31, 2024. During the quarter, the average current and savings account deposits grew by 7.0% year-on-year and 2.9% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 123%.

The domestic loan portfolio grew by 16.8% year-on-year and 3.2% sequentially at March 31, 2024. The retail loan portfolio grew by 19.4% year-on-year and 3.7% sequentially. Including non-fund based outstanding, the retail portfolio was 46.8% of the total portfolio. The business banking portfolio grew by 29.3% year-on-year and 5.7% sequentially. The SME portfolio grew by 24.6% year-on-year and 3.8% sequentially. The rural portfolio grew by 17.2% year-on-year and 4.5% sequentially. The domestic corporate portfolio grew by 10.0% year-on-year and was flat sequentially. The overall loan portfolio including the international branches portfolio grew by 16.2% year-on-year and 2.7% sequentially at March 31, 2024.

The net NPA ratio was 0.42% at March 31, 2024 compared to 0.44% at December 31, 2023 and 0.48% at March 31, 2023. During the quarter, there were net additions of 12.21 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 7.18 billion Rupees or 4.7% of core operating profit and 0.24% of average advances. The provisioning coverage ratio on NPAs was 80.3% at March 31, 2024. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.1% of total loans at March 31, 2024.

The capital position of the Bank continued to be strong with a CET-1 ratio of 15.60% and total capital adequacy ratio of 16.33% at March 31, 2024, after reckoning the impact of proposed dividend.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360, extensive franchise and collaboration within the organisation, backed by our digital offerings, process improvements and service delivery initiatives will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. Operational resilience is a key area of focus for us and we continue to work towards enhancing the same. 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

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 14.9% year-on-year and 3.1% sequentially. Auto loans grew by 19.2% year-on-year and 2.3% sequentially. The commercial vehicles and equipment portfolio grew by 14.1% year-on-year and 3.2% sequentially in the current quarter. Personal loans grew by 32.5% year-on-year and 5.0% sequentially compared to 37.3% year-on-year and 6.4% sequentially at December 31, 2023. The Bank continued to work on increasing pricing, further refining credit parameters and optimising sourcing costs resulting in lower disbursements of personal loans during the quarter as compared to the previous quarter. The credit card portfolio grew by 35.6% year-on-year and 6.5% sequentially. The personal loans and credit card portfolio were 9.9% and 4.3% of the overall loan book respectively at March 31, 2024.

The overseas loan portfolio, in US dollar terms, declined by 3.4% year-on-year at March 31, 2024. The overseas loan portfolio was about 2.8% of the overall loan book at March 31, 2024. The non-India linked corporate portfolio declined by 10.1% or about 31 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 91% comprises Indian corporates, 6% is overseas corporates with Indian linkage, 2% comprises companies owned by NRIs or PIOs and balance 1% is non-India corporates.

B. Credit quality

There were net additions of 12.21 billion Rupees to gross NPAs in the current quarter compared to 3.63 billion Rupees in the previous quarter. The sequential increase is primarily due to higher recoveries and upgrades from the corporate and SME portfolio during the previous quarter. The net additions to gross NPAs were 17.11 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 4.90 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 51.39 billion Rupees in the current quarter compared to 57.14 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 39.18 billion Rupees in the current quarter compared to 53.51 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 49.28 billion Rupees in the current quarter compared to 54.82 billion Rupees in the previous quarter. Recoveries and upgrades from the retail, rural and business banking portfolio were 32.17 billion Rupees compared to 31.80 billion Rupees in the previous quarter. The gross NPA additions from the corporate and SME portfolio were 2.11 billion Rupees compared to 2.32 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 7.01 billion Rupees compared to 21.71 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 17.07 billion Rupees. There was sale of gross NPAs of 3.27 billion rupees in the current quarter compared to 0.36 billion rupees in the previous quarter. The sale of NPAs includes about 0.21 billion rupees in cash and about 0.64 billion rupees of security receipts. As these NPAs were fully provided, we continue to hold provisions against the security receipts.

The non-fund based outstanding to borrowers classified as non-performing was 36.71 billion Rupees as of March 31, 2024 compared to 36.94 billion Rupees as of December 31, 2023. The Bank holds provisions amounting to 20.90 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 30.59 billion Rupees or about 0.3% of the total loan portfolio at March 31, 2024 from 33.18 billion Rupees at December 31, 2023. Of the total fund based outstanding under resolution at March 31, 2024, 25.45 billion Rupees was from the retail, rural and business banking portfolio and 5.14 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 9.75 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 8.1% year-on-year to 190.93 billion Rupees in this quarter. The net interest margin was 4.40% in this quarter compared to 4.43% in the previous quarter and 4.90% in Q4 of last year. The net interest margin was 4.53% in FY2024.

The impact of interest on income tax refund on net interest margin was nil in Q4 of this year compared to 4 bps in the previous quarter and nil in Q4 of last year. The domestic NIM was 4.49% this quarter compared to 4.52% in the previous quarter and 5.02% in Q4 of last year. The cost of deposits was 4.82% in this quarter compared to 4.72% in the previous quarter. Of the total domestic loans, interest rates on 49% of the loans are linked to the repo rate, 2% to other external benchmarks and

17% to MCLR and other older benchmarks. The balance 32% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 15.7% year-on-year to 59.30 billion Rupees in Q4 of 2024.

- Fee income increased by 12.6% year-on-year to 54.36 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 77% of the total fees in this quarter

- Dividend income from subsidiaries and associates was 4.84 billion Rupees in this quarter compared to 2.73 billion Rupees in Q4 of last year. The year-on-year increase in dividend income was primarily due to higher dividend from ICICI Bank Canada, ICICI Prudential Asset Management Company and ICICI Securities Primary Dealership

On Costs: The Bank's operating expenses increased by 8.7% year-on-year in this quarter and 19.0% year-on-year in FY2024. Excluding the one-off expense of 3.35 billion rupees in Q4-2023 on account of change in certain assumptions for provisions for retirement benefit obligations, the Bank's operating expenses would have increased by 12.9% year-on-year in this quarter and 20.3% year-on-year in FY2024. Employee expenses increased by 9.4% year-on-year in this quarter, reflecting mainly the increase in the employee base from fiscal 2023 onwards and impact of annual increments and promotions in FY2024. Excluding the one-off expense in Q4-2023, the Bank's employee expense would have increased by 21.3% year-on-year in this quarter. The Bank had about 141,000 employees at March 31, 2024. The number of employees has increased by about 12,000 in the last 12 months and by about 180 in the current quarter. Non-employee expenses increased by 8.3% year-on-year in this quarter primarily due to retail business related and technology expenses. Our branch count has increased by 623 in the last 12 months and by 152 in the current quarter. We had 6,523 branches as of March 31, 2024. The technology expenses were about 9.4% of our operating expenses in the year ended March 31, 2024. As happens every year, the operating expenses are expected to increase on account of annual increments and promotions during the first quarter of every fiscal year.

The core operating profit increased by 10.5% year-on-year to 153.20 billion Rupees in this quarter. The core operating profit increased by 18.3% year-on-year to 581.22 billion Rupees in FY2024.

The total provisions during the quarter were 7.18 billion Rupees, or 4.7% of core operating profit and 0.24% of average advances compared to 10.50 billion Rupees in the previous quarter. The total provisions during FY2024 decreased by 45.3% year-on-year to 36.43 billion Rupees. The provisioning coverage on NPAs was 80.3% as of March 31, 2024. In addition, we hold 9.75 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of March 31, 2024. At the end of March, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 234.59 billion Rupees or 2.0% of loans.

The profit before tax excluding treasury grew by 19.2% year-on-year to 146.02 billion Rupees in Q4 of this year and by 28.3% year-on-year to 544.79 billion Rupees in FY2024.

There was a treasury loss of 2.81 billion Rupees in Q4 compared to a loss of 0.40 billion Rupees in Q4 of the previous year due to the transfer of negative balance of 3.40 billion Rupees in Foreign Currency Translation Reserve related to Bank's Offshore Unit in Mumbai to profit and loss account in view of the proposed closure of the Unit.

The tax expense was 36.13 billion Rupees in this quarter compared to 30.85 billion Rupees in the corresponding quarter last year. The profit after tax grew by 17.4% year-on-year to 107.08 billion Rupees in this quarter. The profit after tax grew by 28.2% year-on-year to 408.88 billion Rupees in FY2024.

D. Growth in digital offerings

We continue to enhance the use of technology in our operations and to provide solutions to customers. iLens, the retail lending platform, is being upgraded on an ongoing basis, with personal loans and education loans now integrated in the platform along with mortgages. About 71% of trade transactions were done digitally in FY2024. The volume of transactions done through Trade Online platform grew by 29.2% year-on-year in FY2024. We have further simplified bank guarantee journeys with new enhancements. Smart BG Assist is a solution to enable digital execution of bank guarantees for creating and validating text, e-stamping, digital signatures among others.

E. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 24 to 31 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 55.28 billion Rupees at March 31, 2024 compared to 58.53 billion Rupees at December 31, 2023. This portfolio is about 0.47% of our advances at March 31, 2024. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at March 31, 2024. At March 31, 2024, we held provisions of 9.03 billion Rupees on the BB and below portfolio compared to 9.25 billion Rupees at December

31, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 770.68 billion Rupees at March 31, 2024 compared to 784.84 billion Rupees at December 31, 2023. The total outstanding loans to NBFCs and HFCs were about 6.5% of our advances at March 31, 2024.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 482.92 billion Rupees at March 31, 2024 compared to 456.85 billion Rupees at December 31, 2023. The builder portfolio is about 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 2.7% of the builder portfolio at March 31, 2024 was either rated BB and below internally or was classified as non-performing, compared to 3.1% at December 31, 2023.

F. Consolidated results

The consolidated profit after tax grew by 18.5% year-on-year to 116.72 billion Rupees in this quarter. The consolidated profit after tax grew by 30.0% year-on-year to 442.56 billion Rupees in FY2024.

The details of the financial performance of subsidiaries and key associates are covered in slides 39 to 41 and 60 to 65 in the investor presentation.

The annualised premium equivalent of ICICI Life was 90.46 billion Rupees in FY2024 compared to 86.40 billion Rupees in FY2023. The value of new business was 22.27 billion Rupees in FY2024 compared to 27.65 billion Rupees in FY2023. The value of new business margin was 24.6% in FY2024 compared to 32.0% in FY2023. The profit after tax of ICICI Life was 8.52 billion Rupees in FY2024 compared to 8.11 billion

Rupees in FY2023. The profit after tax was 1.74 billion Rupees in this quarter compared to 2.35 billion Rupees in Q4 of last year.

During the quarter, the Bank purchased equity shares of ICICI Lombard General Insurance Company Limited through secondary market transactions. Consequently, the company is now a subsidiary of the Bank. Gross Direct Premium Income of ICICI General was 247.76 billion Rupees in FY2024 compared to 210.25 billion Rupees in FY2023. The combined ratio stood at 103.3% in FY2024 compared to 104.5% in FY2023. The profit after tax grew by 11.0% to 19.19 billion Rupees in FY2024 from 17.29 billion Rupees in FY2023. Excluding the impact of reversal of tax provision in Q2-2023, PAT grew by 19.8% in FY2024. The profit after tax was 5.20 billion Rupees in this quarter compared to 4.37 billion Rupees in Q4 of last year.

The profit after tax of ICICI AMC, as per Ind AS was 5.29 billion Rupees in this quarter compared to 3.85 billion Rupees in Q4 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 5.37 billion Rupees in this quarter compared to 2.63 billion Rupees in Q4 of last year.

ICICI Bank Canada had a profit after tax of 19.9 million Canadian dollars in this quarter compared to 15.6 million Canadian dollars in Q4 last year.

ICICI Bank UK had a profit after tax of 9.5 million US dollars this quarter compared to 5.0 million US dollars in Q4 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.69 billion Rupees in the current quarter compared to 0.96 billion Rupees in Q4 of last year.

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

Moderator:

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

Mahrukh Adajania:

I had three questions. So, my first question is on the accelerated deposit mobilization during the quarter. Now your LDR always looked comfortable relative to peers. So the 6% Q-o-Q deposit growth that was just business as usual because liquidity improved and more deposits were available or you would have a certain LDR in mind, which drove that?

Anindya Banerjee:

No, I think, it was very much a function of improvement in the flows that we saw, particularly on the CASA side. Of course, the period-end numbers do overstate the increase in the deposit base, but even on an average basis, I think we have given the average CASA growth numbers, definitely, the flows were stronger in Q4 relative to the previous couple of quarters. So, it's pretty much a function of that and nothing specific from our side as such.

Mahrukh Adajania:

Is the environment conducive enough to deliver, say, a high-teens growth over the next 1 year at least? I mean, I know beyond that, there's very little visibility.

Anindya Banerjee:

We don't really give an outlook, Mahrukh, in terms of growth. I think we have our risk framework, our distribution and our delivery system, whatever passes through that we'll be happy to take. I think, as you know, we have always been focused on organizing our business around micro markets and ecosystems, and we believe that given our current market share in different micro markets and ecosystems, there is sufficient room for us to grow. We will just take that as it comes. But I don't see any particular growth challenge sitting here today in the environment.

Mahrukh Adajania:

Got it. In terms of your cost-to-income ratio for the whole year, I know the one quarter seasonality, is it fair to assume that now it can hold below 40%?

Anindya Banerjee:

We don't really manage to that metric. We look at the overall risk-adjusted profitability. But, as we have been saying, we do expect some moderation in the level of cost growth and even as we continue to invest in the areas that require investment, and I think you've seen some of that coming through this quarter. That's the way we would look at it.

Mahrukh Adajania:

Okay. Any adverse remarks or qualifications on your CSITE audit from the regulator?

Anindya Banerjee:

Obviously, regulatory reports and interactions with the regulator are confidential. I could only say that, as we have always been saying and as Sandeep mentioned in his opening remarks as well, we attach great priority to operational resilience and are extremely responsive, we try to be, to any concerns expressed from any quarter. But in large and complex banks, there could always be issues now and then. I think, what we have to do is to take a quick corrective action and keep strengthening our systems, including our technology interfaces as well as our core infrastructure. That is what we try to do.

Moderator:

Next question is from the line of Kunal Shah from Citi Group.

Kunal Shah:

Again, just to touch up on the operating expenses side, if you can just highlight, obviously, we look at more in terms of the risk adjusted and not the ratios on cost to income or cost to assets. But what would have actually led to maybe the decline in the overall overhead cost? Or would there be any other element which are more of the one-offs during the quarter or provisioning reversals, which would have been done in the first nine months? Is there any such element out there? And, on the employee side just like you highlighted 180, last time also it was hardly 1,700 employees getting added. So would the pace of employee addition be very modest and that can help in the overall employee cost for next year as well?

Anindya Banerjee:

There is no one-off in terms of past provision reversals etc. in the quarter. Otherwise, we would have brought that out, if it was of significance. As far as the employee headcount is concerned, I think, the net additions to the team size had started slowing from Q3. We had been saying that we definitely don't expect the headcount to increase at the pace at which it had increased over the previous 12 to 15 months. So, we will continue to open branches and expand the franchise. And for that, whatever employee base additions need to be done will happen, but it would be at a much more measured level than what it was over the last 12 to 15 months.

I think one of areas, which I briefly touched upon in the context of when we were talking about personal loans, where we have optimized the cost is on the sourcing cost side. So that does reflect in the overheads. I think that plus the moderation in the increase in the employee base are the two key things. Other expenses like business-related expenses, advertisement, sales promotion etc., there is some seasonality, as you know, in between, say, a festive quarter and a non-festive quarter.

Kunal Shah:

Sure. Fair to assume overall opex growth could be lower than the balance sheet growth going forward as larger part of the investments maybe employees also done, and we are optimizing the sourcing cost?

Anindya Banerjee:

We look at overall, what is the profit kind of trajectory of risk-adjusted PPOP and it is difficult to talk of, say, opex versus assets. I think, definitely, the pace of growth in opex has already moderated, it's quite visible, and we will probably see opex growth at a moderate pace from here on.

Kunal Shah:

Sure. Lastly, on deposit costs last time you highlighted that deposit costs, maybe the repricing would largely be reflected in Q4 and a very low running into Q1. So given 10 bps kind of an increase which has been there, is like larger part of the deposit repricing is now behind us?

Anindya Banerjee:

I mean, we did raise deposit rates by 10 bps in February on the retail side, which was not there at the time when we had our last call. So, some impact will be there, but I guess that will go through, it wouldn't be a very large impact.

Moderator:

Next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal:

Congratulations on the strong performance. Sir, my first question is on margins. So can we say that now the NIMs have more or less bottomed out? How do you really compare the incremental spread on business sourced during the quarter to the outstanding spreads?

Anindya Banerjee:

As we had said and as we spoke in response to the last question also, we will still see some increase in deposit costs, both as the repricing comes through and given the increase in retail deposit rates during Q4 as well. So I guess we could see some further moderation in the NIM, but I would expect it to be pretty range bound from here on for the next few quarters until a rate cut actually happens. So that's where you should see the NIM.

Nitin Aggarwal:

Okay. Anindya, I just also wanted to take your view on how do you really see the impact of this rate cut cycle getting delayed versus if suppose it had happened in the mid of the year, how do you really see that?

Anindya Banerjee:

I think what we would anyway have expected and were expecting was a fairly shallow rate cut cycle. So, we need to compare it to the rate hike cycle of 250 basis points in nine months. Here, what was being talked of was maybe 50 bps over a six-months period, maybe starting in the second quarter, which now one could debate whether it will be 0 or 25 or whatever and at what point in time. So I don't think that it would be as meaningful as the hike cycle was. But of course, there will be some lead lag in the repricing of assets and liabilities. To the extent that it is delayed, the repricing of assets will also get delayed. But, at the same time, any reduction in deposit rates will also move forward. So, it will have that lead lag, timing will change, but beyond that not too much.

Nitin Aggarwal:

Okay. The other question that I have is on the rating profile of the corporate and SME advances, slide 26. There has been some moderation in the proportion of 'A and above' exposures. So any threshold like that you will look to maintain? Because over the last one year, there's almost a 600 basis point decline in that. So any particular level that you would want to maintain this?

Anindya Banerjee:

That change in mix is driven by 2 factors. I think, one is the growth in the business banking type of portfolio, which maps into BBB kind of a level. The credit performance of that portfolio in terms of the net additions to NPL has been very strong, so it doesn't really worry us from a credit portfolio quality perspective. On the corporate side, as we had mentioned last quarter also, we have been reducing some of the very highly rated, finely priced kind of exposures, including in the NBFC space, where the capital charge also went up during the third quarter. So these are the 2 reasons. From an overall portfolio credit profile or credit stability perspective, we are very comfortable with this.

Nitin Aggarwal:

Right. One last question, if I can squeeze in. While I understand you don't share any guidance around credit growth, but how would you read the competitive intensity now with some of the other large private banks are either constrained on CD ratio and now more recently with this section on the digital sourcing from another bank. How do you look at the competitive intensity as an overall and therefore, growth outlook for the bank?

Anindya Banerjee:

Our sense is that in terms of the lending rates, there is some moderation in the competitive intensity over the last quarter, but we will have to keep seeing how it plays out through the year and calibrating our risk-reward trade-offs accordingly.

Moderator:

Next question is from the line of Piran Engineer from CLSA.

Piran Engineer:

Congrats on the quarter. My question is sort of similar to Nitin's out here that as HDFC Bank is now going slow on corporate loan growth, does that present an opportunity for you to double down on this business? Or you expect most of that to move to PSU banks? How are you really thinking about it? I'm asking because we used to grow in the high teens and now that growth has slowed down to 10%. So just wanted to understand your thought process behind it.

Anindya Banerjee:

On the corporate side, actually, our growth has been 10% to low double-digit kind of for some time. See, we are very open. I mean, we have strong corporate relationships and a strong funnel for business. Over the last few years, I think our view on lending rates and the way we look at overall profitability has kind of made us less competitive, perhaps, in some pockets of lending. So, we will look at it as the opportunities come. As long as it passes our risk filters, we are very open to it.

Piran Engineer:

Okay. Secondly, just on fee income, there has been sort of slower growth this time. Anything to read into it? I'm not referring only Q-o-Q, but Y-o-Y also is a little weaker.

Anindya Banerjee:

Nothing specific. I think relative to Q3, which was like a 19% growth, Q4 would be weaker because Q3 is the festive season. Overall, for the year, we have grown at about 15%, which we think is a good level.

Piran Engineer:

Okay. We shouldn't read it as, you are not sacrificing the retail loan yields, but you are giving up on the processing fees or something like that to maintain loan growth, it's like a trade-off between yields and fees. That's how I'm thinking, but am I thinking wrong?

Anindya Banerjee:

No, no, not really.

Piran Engineer:

Okay. Fair enough. Just last question. One comment that you made on opex was that you'll have optimized sourcing cost in personal loans. So, just wanted to get a sense of what percentage happens externally because I would presume most of it are internal customers where sourcing cost is nil?

Anindya Banerjee:

I spoke about it in the context of personal loans, but I think, across all categories where there is an element of external sourcing we have optimized the sourcing costs. So, that is one of the levers that has played out to some extent on the opex side. Personal loans, I more talked about it as in the context of the disbursal volumes having come down.

Moderator:

Next question is from the Chintan Joshi from Autonomous.

Chintan Joshi:

Can I follow up on the lending yield side, a nice increase in the quarter. We've seen one of your major competitors try to increase their threshold rates. And it seems like benefit is flowing to other players as well. Would you recognize that there's some benefit flowing to you as well because of the actions of large competitors?

Anindya Banerjee:

One quarter is a relatively short time for it to play out. But, as I mentioned earlier, we do see some moderation in the competitive intensity on the lending side clearly over the last quarter, but we'll have to see how it plays out over the year.

Chintan Joshi:

Do you think it can stick as you go through the year? Or like what is your read at the moment? Is it looking?

Anindya Banerjee:

I think it's a very dynamic environment and different banks and other lenders look at the market differently at different points in time. So very difficult to say. From our side, our endeavor is always to maintain yield discipline as far as we can.

Chintan Joshi:

On opex and on RWAs, there has been a reduction in quarter-on-quarter. You spoke a lot about opex. I just want to make sure that there are no funnies or one-offs in either items that we should bear in mind?

Anindya Banerjee:

In the operating expenses?

Chintan Joshi:

And in RWAs. Both items. So RWAs are down 8% quarter-on-quarter. Any reason for that?

Anindya Banerjee:

Which element of RWA?

Chintan Joshi:

I am looking at your slide number 37, standalone capital adequacy, December 31, INR13.25 trillion has fallen to INR12.2 trillion as of year-end.

Anindya Banerjee:

Yes, I'm sorry, I think there's been some misplacement of the number, we'll just correct that. You should compare the 13,253 to the 13,727, which has gone into the last row, we'll correct that.

Chintan Joshi:

Okay, that makes sense. Finally, credit cards, I mean, generally, there's a lot of regulatory scrutiny on tech, on KYC on other issues. There was this data breach that happened. How should we think about this issue? What happened and do you think this will attract regulatory scrutiny?

Anindya Banerjee:

No, I think we had clarified that basically about 17,000 cards that have been issued in the last few days, while mapping it to the digital channels, they were mapped incorrectly. As soon as that came to our notice, we took the necessary corrective action in terms of blocking and issuing new cards and so on. So definitely, it's something we take very seriously and attach a lot of importance to operational resilience as Sandeep also mentioned. But once in a while, in banks, issues can happen. I think it's our job to have a quick recovery and to keep working on improving the quality of processes and the operational resilience, which we are doing.

Moderator:

Next question is from the line of Rahul Jain from Goldman Sachs.

Rahul Jain:

Congrats on good quarter. Just a couple of questions. First is on opex. Of course, much has been debated and discussed. Still, I would like to ask how much more scope is there for you to rationalize this cost? Because there is definitely competitive intensity either in deposits or on loans that will remain over a period of time. And you rationalized on the PL side, but do we have enough capacity on the deposit side, on the branches side? Is there more scope to rationalize this? Or whatever we had to do kind of done, and this will now reflect the growth in deposits or loans or disbursals, how the business grows? So, I just wanted to understand more about this how it trends out in the couple of quarters over the next few years?

Anindya Banerjee:

We have to look at the various large elements of cost. I think one large part is on the employee base, where we have spoken about how that has trended. Of course, as I mentioned when I was speaking in the opening part of the call, we will see an increase there in the first quarter as the promotions, increments come through. But, in terms of the headcount, I would expect stability to moderate increase from here on. On the business-related expenses, I think we always look at optimizing and how much we can relate it directly to the revenue opportunities.

On the technology side, while we continue to spend fairly large amounts and while this may continue to grow at a somewhat faster pace than the overall opex, the rate of growth of the tech expense itself, given the large base that we now have, will moderate compared to, say, the pace of growth that we had a couple of years ago. So I think in totality, as I said, we would expect the pace of growth of opex to be more moderate than we have seen in the last couple of years. That's about it.

Rahul Jain:

So essentially, productivity gains are coming through and that gives you confidence that it should essentially sustain, yes?

Anindya Banerjee:

Right. Right.

Rahul Jain:

All right. The other question was on slippages. So retail slippages kind of stabilized at around 2.5% versus last year also. So, is this the rate of slippages that we should expect given going forward? Or the normalization is still yet to fully play out?

Anindya Banerjee:

I guess, looking at it in terms of credit costs, we are still at sub-40 basis points for this quarter. I think, if you kind of adjust out one offs or if you take a more adjusted view, we would still be under 50 basis points. That may normalize upwards slightly, but I don't see anything very dramatic there.

Rahul Jain:

Okay. Got it. Just a small question. There were articles a month or 2 back about the top-up loans, and we do have a small portion of that in our loan book. So anything out there from the regulator's side that we need to watch out for on the top-ups?

Anindya Banerjee:

No, nothing.

Moderator:

Ladies and gentlemen, we'll take that as our last question. I will now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you all for joining the call, and we can take any other questions you have separately. Thank you.

Moderator:

Thank you very much. On behalf of ICICI Bank Limited, that concludes this conference. Thank you for joining us.