

ICICI Bank (ICICIBC IN)

FUNDAMENTAL VIEW ¹

As of 08 May 2024

- ICICI Bank is one of the leading private banks in India and has a good diversified business model, with well regarded life and general insurance subsidiaries.
- Under its previous CEO, the bank suffered setbacks from sizeable bad debt problems in FY17/18, but the situation has since stabilised following a leadership change and the bank has done well ever since.
- The bank's Baa3(sta)/BBB-(sta)/BB+(sta) ratings make it a cross-over credit but we assess fallen angel risk to be low. ICICI Bank performed very well in FY22 and Moody's upgraded its standalone rating to baa3 in June 2022. It has since continued the good performance.

RISKS & CATALYSTS

As of 08 May 2024

- Despite ICICI's relatively smaller SME book (~5% of total loans), we are cautious about the bank's rapid loan growth in this sector, as well as that in business banking and personal unsecured loans, but India's growth momentum remains resilient. The RBI's increased risk weights on retail unsecured loans will apply some brakes on that growth which is a credit positive.
- ICICI Bank has a strong franchise and its profitability has surpassed that of HDFC Bank to lead the peers we cover. Margins have been under pressure from tight system liquidity but are stabilizing; the bank's LDR is less tight than peers. We see ICICI's credit costs normalizing up from a low base but expect only a moderate increase on the back of India's good growth momentum.
- Leadership and governance issues under the previous CEO Ms. Chanda Kochhar have been dealt with well, since her replacement in Oct-18.

CREDIT QUALITY SCORE (CQS)²

As of 04 Jul 2024

CURRENT CQS

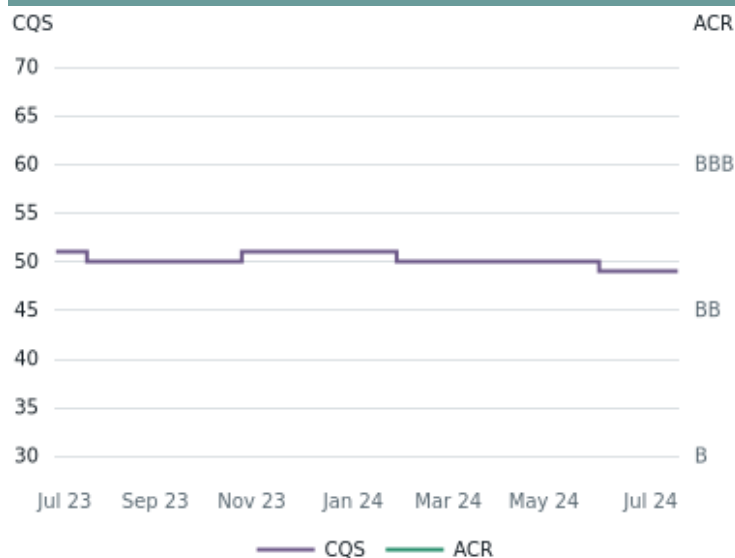
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CQS OUTLOOK ³

NEGATIVE

STABLE

POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS

KEY METRICS

As of 08 May 2024

INR BN	FY20	FY21	FY22	FY23	FY24
NIM	3.73%	3.69%	3.96%	4.48%	4.53%
ROAA	0.77%	1.39%	1.77%	2.13%	2.37%
ROAE	7.1%	12.3%	14.7%	17.2%	18.7%
Equity/Assets	10.6%	12.0%	12.1%	12.6%	12.7%
CET1 Ratio	13.2%	16.7%	17.3%	16.9%	15.4%
Gross NPA Ratio	5.53%	4.96%	3.60%	2.81%	2.16%
Provisions/Loans	1.95%	2.05%	0.97%	0.65%	0.30%
PPP ROA	2.72%	3.13%	2.97%	3.28%	3.36%

BUSINESS DESCRIPTION

As of 08 May 2024

- The original Industrial Credit and Investment Corporation of India (ICICI) was established in 1955 by the World Bank, the Government of India and representatives of Indian industry as a financial institution to provide Indian businesses with medium and long-term project financing.
- In 1994, ICICI established a commercial banking subsidiary, ICICI Bank as India's financial sector opened up, and in 2002 ICICI merged with ICICI Bank, keeping the latter's name.
- Retail now accounts for 55% of its loan book, corporates are at 21%, while rural, business banking and SMEs are at 8%, 8% and 5% respectively, and overseas (which is being de-emphasised) consists of just 3% at 4QFY24.
- The bank has well regarded life insurance (ICICI Prudential) and general insurance (ICICI Lombard) businesses.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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