

ICICI Bank (ICICIBC IN)

FUNDAMENTAL VIEW ¹

As of 12 Aug 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 12 Aug 2024

- We are cautious about ICICI's strong growth in riskier segments including business banking, personal unsecured loans and credit cards. The RBI's increased risk weights on retail unsecured loans however has applied some brakes on that growth which is a credit positive, and India's resilient growth momentum should keep credit costs relatively contained.
- ICICI Bank has a strong franchise and its profitability has surpassed that of HDFC Bank to lead the peers we cover. Margins are under pressure from tight system liquidity, but the bank's LDR is less tight than peers. We see ICICI's credit costs normalizing upwards slightly in FY25 as the recoveries tailwind tapers off.
- 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

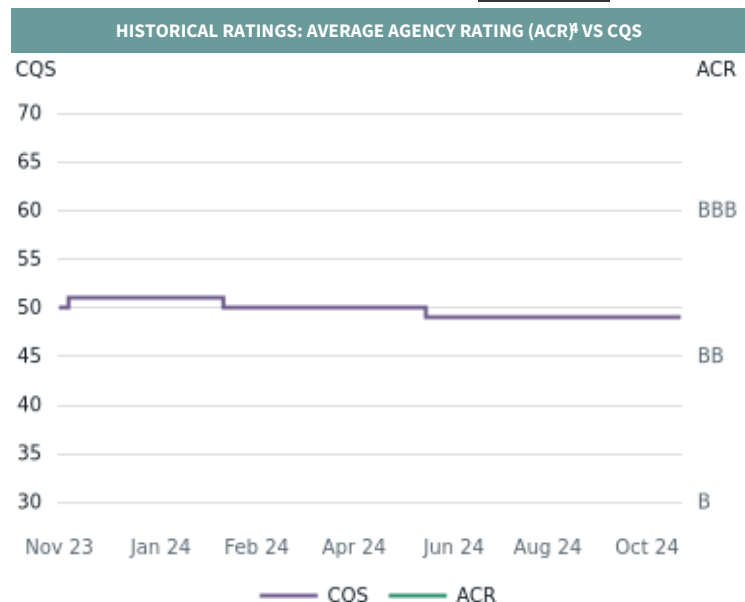
As of 16 Oct 2024

CURRENT CQS

49

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE



KEY METRICS

As of 12 Aug 2024

INR BN	FY21	FY22	FY23	FY24	1Q25
NIM	3.69%	3.96%	4.48%	4.53%	4.36%
ROAA	1.39%	1.77%	2.13%	2.37%	2.35%
ROAE	12.3%	14.7%	17.2%	18.7%	18.1%
Equity/Assets	12.0%	12.1%	12.6%	12.7%	13.3%
CET1 Ratio	16.7%	17.3%	16.9%	15.4%	15.1%
Gross NPA Ratio	4.96%	3.60%	2.81%	2.16%	2.15%
Provisions/Loans	2.05%	0.97%	0.65%	0.30%	0.41%
PPP ROA	3.13%	2.97%	3.28%	3.36%	3.41%

BUSINESS DESCRIPTION

As of 12 Aug 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 1QFY25.
- 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.

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