

ICICI Bank (ICICIBC IN)

FUNDAMENTAL VIEW ¹

As of 25 Aug 2022

- 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 over the past couple of years.
- The bank's Baa3(sta)/BBB-(sta)/BB+(sta) ratings make it a cross-over credit but we assess a 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.

RISKS & CATALYSTS

As of 25 Aug 2022

- The SMEs will likely bear the compounding effects of both higher costs of goods and financing costs disproportionately, especially since their finances have been stretched over the pandemic period. ICICI's relatively smaller SME book (~4% of total loans) will serve the bank well in volatile times.
- ICICI Bank has a strong franchise and its profitability has caught up with that of HDFC Bank in recent quarters. From an asset quality perspective it is still behind HDFC Bank, but the gap has narrowed.
- Leadership and governance issues arose from potential irregularities in the granting of loans to India's Videocon group by the previous CEO Chandra Kochhar (an ongoing independent probe remains).

CREDIT QUALITY SCORE (CQS)²

As of 20 Feb 2023

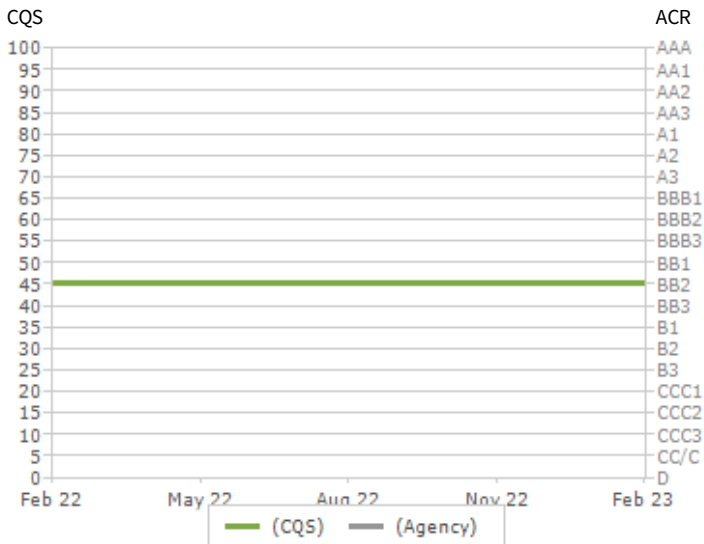
CURRENT CQS

45

CQS OUTLOOK³

NEGATIVE STABLE POSITIVE

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



KEY METRICS

As of 25 Aug 2022

BN INR	1Q23	FY22	FY21	FY20	FY19
Net Interest Margin	4.01%	3.96%	3.69%	3.73%	3.42%
ROA	1.95%	1.77%	1.39%	0.77%	0.36%
ROE	15.9%	14.7%	12.3%	7.1%	3.2%
Equity/Assets	12.5%	12.1%	12.0%	10.6%	11.2%
CET1 Ratio	16.3%	17.3%	16.7%	13.2%	13.4%
NPA Ratio	3.41%	3.60%	4.96%	5.53%	6.70%
Provisions/Loans	0.52%	0.97%	2.05%	1.95%	3.02%
PPP ROA	2.92%	2.97%	3.13%	2.72%	2.54%

BUSINESS DESCRIPTION

As of 25 Aug 2022

- 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.
- ICICI Bank's shareholding pattern is fragmented. Various institutional investors hold a total of >90% stake in the bank, retail investors hold 6.4%, while the Indian government has a tiny share of 0.19%.
- Retail now accounts for over 62% of its loan book, while corporates, business banking and SMEs have been reduced to 22%, 6% and 4% respectively, and overseas (which is being de-emphasised) consists of just 5%.
- 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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