

Estimate change 
 TP change 
 Rating change 

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Bloomberg	ICICIB IN
Equity Shares (m)	6,917
M.Cap.(INRb)/(USDb)	4685.8 / 63
52-Week Range (INR)	679 / 334
1, 6, 12 Rel. Per (%)	7/18/34
12M Avg Val (INR M)	13469

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E
NII	389.9	455.8	546.0
OP	364.0	389.7	466.5
NP	161.9	212.7	269.6
NIM (%)	3.7	3.9	4.0
EPS (INR)	24.2	30.8	39.0
EPS Gr (%)	97.0	27.2	26.7
ABV/Sh (INR)	187.3	216.0	253.1
Cons. BV/Sh (INR)	227.8	259.4	297.6

Ratios

RoE (%)	12.6	13.8	15.3
RoA (%)	1.4	1.6	1.8

Valuations

P/BV (x) (Cons)	3.0	2.6	2.3
P/ABV (x)	2.7	2.3	2.0
P/E (x)	20.8	16.3	12.9

*Adjusted for Investment in subsidiaries

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	0.0	0.0	0.0
DII	32.9	33.2	37.8
FII	59.2	58.9	53.4
Others	7.9	7.9	8.9

FII Includes depository receipts

CMP: INR677 TP: INR835 (+23%)

Buy

Steady quarter; earnings progression to remain strong

Elevated slippages partially offset by higher recoveries; PCR remains strong

- ICICIBC reported strong earnings performance, led by robust core PPOP, aided by healthy NII growth (5bp NIM expansion). Also, lower provisions (23% below our estimate) drove the earnings beat v/s our estimate. The bank is thus progressing well towards earnings normalization.
- Fresh slippages stood elevated at INR72.3b (annualized ~4% of loans), pre-dominantly from the Retail/Business Banking portfolio. However, this was partially compensated by higher recoveries and upgrades. The GNPA/NNPA ratio grew by 19bp/2bp QoQ to 5.15%/1.16%. PCR remains stable at 78.4%, the highest in the industry. Restructured loans stood controlled at 0.7% of loans (v/s 0.5% in FY21).
- ICICIBC holds COVID-19 related provisions of INR64.25b (~0.9% of loans), despite utilizing provisions of INR10.5b in 1QFY22. It guided at improved asset quality trends mainly from 2HFY22. We marginally increase our FY22E PAT estimate by 4%. **We maintain our BUY rating.**

Strong operating performance; provision coverage remains high

- ICICIBC reported a PAT of ~INR46.2b in 1QFY22 (12% above our estimate; +78% YoY), aided by healthy NII growth and lower provisions (23% below our estimate). Additional COVID-19 provision buffer stands at INR64.25b (~0.9% of loans) v/s INR74.7b (~1% of loans) in FY21.
- NII growth was strong at 17.8% YoY (up ~5% QoQ), led by an improvement in margin (up 5bp QoQ to 3.89%) and in line growth in advances (up ~17% YoY). Other income declined by 35% YoY as last year there were gains from stake sale in subsidiaries. However, core other income grew 56% YoY to INR37.1b, led by 53% growth in fee income. Retail, SME, and Business Banking contributed 76% to total fees. Opex grew 30% YoY (flat QoQ), **enabling robust core PPOP growth of 23%**.
- On the business front, advances growth was broadly flat sequentially (but up 17% YoY), with domestic book growing 19.6% YoY (0.3% QoQ). Among segments, Business Banking grew well (~6% QoQ), Retail loans were flat QoQ (up 20% YoY), while SME/Corporate declined by ~2% QoQ. Within Retail, Mortgage grew 2.4% QoQ, Unsecured Retail saw flat sequential trends, while CV/2W declined by 5%/9% QoQ. Till 17th Jul'21, the bank has disbursed INR132b (ECLGS 1.0), ~INR17b (ECLGS 2.0), and only ~INR1b (ECLGS 3.0) under the ECLGS schemes. On the liability front, deposit growth stood at 15.5% YoY, led by CASA (~25% YoY growth). Average CASA mix improved to 43.7% (120bp QoQ).
- Asset quality:** Fresh slippages increased to INR72.3b (annualized ~4% of loans) v/s INR55.2b in 4QFY21. Fresh slippages are pre-dominantly from the Retail/Business Banking portfolio (~INR67.7b), while Corporate/SME slippages were contained at INR4.6b. Within Retail, INR9.6b/INR11.3b

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came from the Kisan Credit Card/Jewelry portfolio. It also witnessed some uptick in stress in the CV portfolio. Higher recoveries and upgrades in Retail/Business Banking of INR22.6b led to a mere ~4.3%/1.4% YoY rise in GNPA/NNPA. The GNPA/NNPA ratio grew by 19bp/2bp QoQ to 5.15%/1.16%. PCR improved slightly to 78.4%. Restructured loans rose to INR48.6b (0.7% of loans) v/s INR39.3b (0.5% of loans) in FY21, while the BB and below portfolio increased to ~INR139.7b (v/s INR131b in FY21).

Highlights from the management commentary

- The management expects gross NPA additions to be lower in 2Q and meaningfully decline from 2HFY22 onwards. It remains confident that its COVID-19 provision buffer is sufficient to manage potential provisioning requirements.
- The private sector has not gone for any major capex expansion, while PSU entities see a capex revival. Their utilization rate has improved, and hence the rise in demand for working capital financing.
- The business banking portfolio is very well collateralized, while the SME portfolio is seeing some uptick in stress.

Valuation and view

ICICIB reported a strong earnings performance, led by robust core PPOP performance and controlled provisions. The steady mix of high yielding portfolio such as Retail/Business banking portfolio, deployment of excess liquidity, and low cost liability franchise is aiding margin expansion. COVID 2.0 has disrupted collections, leading to elevated slippages in the Retail/Business Banking portfolio. However, the management is confident of improved asset quality trends over FY22, mainly from 2H onwards. Restructured loans remain under control at 0.7% of loans. Provision coverage remains best in the industry and additional COVID-19 provision buffer (0.9% of loans) provides comfort on normalization in credit cost. We expect RoA/RoE to improve to 1.8%/15.3% for FY23E. We maintain our Buy rating with a revised SoTP-based TP of INR835/share (2.6x FY23E ABV for the bank).

Exhibit 1: Quarterly performance (INR b)

	FY21				FY22				FY21	FY22E	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Interest Income	92.8	93.7	99.1	104.3	109.4	111.7	115.8	119.0	389.9	455.8	107.3	2%
Other Income	61.4	40.3	46.9	41.1	40.0	45.2	48.3	52.4	189.7	185.9	38.5	4%
Total Income	154.2	133.9	146.0	145.4	149.3	156.9	164.1	171.4	579.6	641.7	145.8	2%
Operating Expenses	46.5	51.3	57.8	60.0	60.4	63.0	63.5	65.1	215.6	252.0	54.5	11%
Operating Profit	107.8	82.6	88.2	85.4	88.9	93.8	100.6	106.3	364.0	389.7	91.3	-3%
Change (YoY, %)	71.4	20.2	16.8	15.6	-17.5	13.6	14.1	24.5	29.5	7.1	-15.3	
Provisions	75.9	30.0	27.4	28.8	28.5	28.5	27.4	25.3	162.1	109.8	36.8	-23%
Profit before Tax	31.8	52.7	60.8	56.6	60.4	65.3	73.2	81.0	201.8	279.9	54.4	11%
Net Profit	26.0	42.5	49.4	44.0	46.2	49.6	55.6	61.4	161.9	212.7	41.4	12%
Change (YoY, %)	36.2	549.1	19.1	260.5	77.6	16.7	12.6	39.4	104.2	31.4	59.1	
Operating Parameters												
Deposit	8,016	8,329	8,743	9,325	9,262	9,698	10,220	10,817	9,325	10,817	9,474	-2%
Loan	6,312	6,526	6,990	7,337	7,386	7,612	7,998	8,438	7,337	8,438	7,444	-1%
Deposit Growth (%)	21.3	19.6	22.1	21.0	15.5	16.4	16.9	16.0	21.0	16.0	18.2	(265)
Loan Growth (%)	6.5	6.4	10.0	13.7	17.0	16.6	14.4	15.0	13.7	15.0	17.9	(91)
Asset Quality												
Gross NPA (%)	6.1	5.2	4.4	5.0	5.6	5.5	5.3	4.9	5.0	4.9	5.4	17
Net NPA (%)	1.2	1.0	0.6	1.1	1.2	1.3	1.3	1.2	1.1	1.2	1.3	(11)
PCR (%)	78.5	81.6	86.1	77.8	78.4	77.0	77.0	77.2	77.7	77.2	77.5	93

Source: MOFSL, Company

Quarterly snapshot

Profit & Loss (INR b)	FY20				FY21				FY22	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Net Interest Income	77.4	80.6	85.5	89.3	92.8	93.7	99.1	104.3	109.4	18	5
Other Income	34.3	41.9	45.7	42.5	61.4	40.3	46.9	41.1	40.0	-35	-3
Trading profit	1.8	3.4	5.3	2.4	37.6	5.4	7.7	-0.3	2.9	-92	-1,260
Fee Income	30.4	34.8	36.0	36.0	21.0	31.4	36.0	38.2	32.2	53	-16
Others	2.1	3.8	4.5	4.1	2.8	3.5	3.2	3.2	4.9	77	52
Total Income	111.6	122.5	131.2	131.8	154.2	133.9	146.0	145.4	149.3	-3	3
Operating Expenses	48.7	53.8	55.7	57.9	46.5	51.3	57.8	60.0	60.4	30	1
Employee	19.5	21.4	19.4	22.3	21.7	19.7	19.5	20.1	23.7	10	18
Others	29.2	32.4	36.3	35.6	24.8	31.7	38.3	39.9	36.6	48	-8
Operating Profit	62.9	68.7	75.5	73.9	107.8	82.6	88.2	85.4	88.9	-17	4
Core Operating Profit	61.1	65.3	70.2	71.5	70.1	77.2	80.5	85.6	86.0	23	0
Provisions	35.0	25.1	20.8	59.7	75.9	30.0	27.4	28.8	28.5	-62	-1
PBT	27.9	43.7	54.7	14.2	31.8	52.7	60.8	56.6	60.4	90	7
Taxes	8.8	37.1	13.2	2.0	5.8	10.1	11.4	12.5	14.3	145	14
PAT	19.1	6.5	41.5	12.2	26.0	42.5	49.4	44.0	46.2	78	5
Balance Sheet (INR b)											
Loans	5,924	6,134	6,357	6,453	6,312	6,526	6,990	7,337	7,386	17	1
Investments	2,200	2,234	2,275	2,495	3,019	2,896	2,753	2,813	2,948	-2	5
Deposits	6,607	6,963	7,163	7,710	8,016	8,329	8,743	9,325	9,262	16	-1
Borrowings	1,567	1,510	1,374	1,629	1,649	1,364	1,116	916	891	-46	-3
Total Assets	9,638	9,970	10,071	10,984	11,386	11,630	11,932	12,304	12,207	7	-1
Asset Quality (INR b)											
GNPA	457.6	456.4	434.5	414.1	403.9	389.9	348.6	413.7	431.5	7	4
NNPA	118.6	109.2	103.9	101.1	86.7	71.9	48.6	91.8	93.1	7	1
Deposits Break Up											
CASA Deposits	2,989	3,250	3,364	3,478	3,406	3,646	3,954	4,316	4,251	25	-2
% of total Deposits	45	47	47	45	42	44	45	46	46		
Savings	2,185	2,306	2,354	2,456	2,448	2,571	2,787	2,955	3,066	25	4
% of total Deposits	33	33	33	32	31	31	32	32	33		
Current	804	944	1,010	1,022	958	1,075	1,167	1,362	1,185	24	-13
% of total Deposits	12	14	14	13	12	13	13	15	13		
Term Deposits	3,619	3,713	3,799	4,232	4,610	4,684	4,789	5,009	5,011	9	0
% of total Deposits	55	53	53	55	58	56	55	54	54		
Loan Break Up											
Agriculture											
SME Loans	177	191	217	229	209	233	271	303	298	43	-2
Corporate Loans	1,515	1,533	1,597	1,605	1,588	1,574	1,701	1,766	1,739	10	-2
Retail Loans	3,443	3,582	3,725	3,814	3,787	3,984	4,238	4,519	4,552	20	1
<i>of which</i>											
- Housing	1,839	1,908	1,964	2,002	2,011	2,117	2,258	2,437	2,494	24	2
- Personal Loans	344	378	420	453	440	445	464	493	495	12	0
- Credit Cards	137	147	163	157	147	155	173	173	172	16	-1
- Others	1,122	1,150	1,178	1,203	1,189	1,267	1,344	1,416	1,392	17	-2
International Loans	596	600	566	540	470	423	431	376	401	-15	7
Loan Mix (%)											
SME Loans	3.0	3.1	3.4	3.5	3.3	3.6	3.9	4.1	4.0	73	-10
Corporate Loans	25.6	25.0	25.1	24.9	25.2	24.1	24.3	24.1	23.5	-161	-54
Retails	58.1	58.4	58.6	59.1	60.0	61.1	60.6	61.6	61.6	163	4
International Loans	10.1	9.8	8.9	8.4	7.5	6.5	6.2	5.1	5.4	-202	31

Quarterly snapshot continued

Ratios	FY20				FY21				FY22	Change (bp)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Asset Quality Ratios (%)											
GNPA	6.5	6.4	6.0	5.5	5.5	5.2	4.4	5.0	5.2	-31	19
NNPA	1.8	1.6	1.5	1.4	1.2	1.0	0.6	1.1	1.2	-7	2
PCR (Calculated)	74.1	76.1	76.1	75.6	78.5	81.6	86.1	77.8	78.4	-9	62
Credit Cost	2.4	1.7	1.3	3.7	4.8	1.9	1.6	1.6	1.5	-321	-6
Business Ratios (%)											
Fees-to-Total Income	27.2	28.4	27.4	27.3	13.6	23.4	24.7	26.2	21.6	792	-468
Cost-to-Core Income	44.4	45.1	44.3	44.8	39.8	39.9	41.8	41.2	41.2	139	3
Tax Rate	31.7	85.0	24.1	14.1	18.3	19.3	18.7	22.2	23.6	528	144
CASA	45.2	46.7	47.0	45.1	42.5	43.8	45.2	46.3	45.9	340	-40
Dom. Loan/Deposit (Rep.)	80.6	79.5	80.8	76.7	72.9	73.3	75.0	74.7	75.4	254	76
Loan/Deposit	89.7	88.1	88.7	83.7	78.7	78.4	79.9	78.7	79.7	100	106
Profitability Ratios (%)											
Yield on loans	9.4	9.5	9.5	9.4	9.3	8.9	8.4	8.5	8.3	-104	-19
Yield On Investments	6.8	6.7	6.5	6.1	6.1	5.8	5.8	5.6	5.6	-47	-2
Yield on Funds	8.4	8.4	8.4	8.3	7.9	7.5	7.3	7.3	7.3	-68	-6
Cost of funds	5.2	5.2	5.1	4.9	4.6	4.4	4.1	4.0	3.8	-79	-13
Margin	3.6	3.6	3.8	3.9	3.7	3.6	3.7	3.8	3.9	20	5
RoA (cal.)	0.8	0.3	1.7	0.5	1.0	1.5	1.7	1.5	1.5	59	3
RoE (Cal.)	7.0	2.4	14.6	4.2	8.9	13.2	14.0	12.3	12.3	340	0
Other Details											
Branches	4,882	5,228	5,275	5,324	5,324	5,288	5,267	5,266	5,268	-56	2
ATM	15,101	15,159	15,589	15,688	15,661	15,158	14,655	14,136	14,141	-1,520	5



Highlights from the management commentary

Opening comments

- The bank would continue to strengthen its deposit franchise. The cost of deposits remains the lowest among peers.
- The management's focus remains on building its loan book in a granular manner. Retail disbursements were affected severely in Apr-May'21 due to the second COVID wave, while showing a healthy pick up from Jun'21.
- Business Banking and the SME book would continue to grow on the back on recent digital initiatives such as InstaBIZ, which is performing well.
- In the overseas book, the bank is exiting exposures that are not linked to India.
- Jewelry loans are fully secured, with total slippages from this portfolio at INR11.3b. It expects a complete recovery from this portfolio.
- The management expects gross NPA additions to be lower in 2Q and meaningfully decline from 2HFY22 onwards.

Balance Sheet and P&L related

- The domestic Corporate portfolio, excluding the Builder portfolio, grew 15% YoY, driven by disbursements to higher rated corporates and PSU entities.
- The sequential impact on current account growth was due to the implementation of RBI guidelines.
- In the Corporate segment, capacity utilization has improved, and hence the rise in demand for working capital loans. It highlighted that many corporates have raised funds through the bond market as well.
- The private sector has not gone for any major capex expansion, while PSU entities see an expansion in capex.

- Some of the excess liquidity, which was deployed through forex swaps, also aided margin improvement.

Asset quality

- Within Retail/Business Banking (excluding the Rural portfolio), slippages from the Mortgage portfolio was similar to last year, but were relatively higher in the CV segment. Personal loans/Credit Cards witnessed lower slippages.
- Less than 1% of its Corporate portfolio were overdue at the end of Jun'21.
- In the BB & below book, only three accounts (Construction, Power, and Telecom) have an exposure over INR6b, while the rest are smaller accounts.
- It remains confident that its COVID-19 provision buffer is sufficient to manage potential provisioning requirements.
- Collections could not happen due to COVID-related disruptions. This affected Jewelry loans. It expects a full recovery from this portfolio.
- The management expects a meaningful reduction in slippages from 2HFY22. The recovery trend is likely to be better over 2HFY22 if there is no third COVID wave.
- Retail recoveries during 1QFY22 were normal and in line with other quarters (barring last year, which was lower due to the RBI dispensation).
- The business banking portfolio is very well collateralized, and thus the risk remains lower. The SME portfolio is seeing some uptick in stress.

Key exhibits

Exhibit 2: Net stressed loans decline to 2.3% of total loans

INR b	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22
GNPA	463	458	456	435	414	404	390	349	414	431
Security Receipts	33	33	33	21	19	19	19	18	17	17
BB and below (fund based)	116	101	109	122	102	107	103	121	102	91
Stress loans	611	591	598	577	536	530	512	488	533	539
Less: Overlap	4	2	2	2	2	2	2	2	14	33
Gross stress loans	608	590	596	575	534	528	509	486	519	506
Specific Provisions	327	339	347	331	313	317	318	300	322	338
Net Stress loans	281	250	249	244	221	211	191	186	197	168
Gross stress loans (% of advances)	10.4	10.0	9.7	9.0	8.3	8.4	7.8	7.0	7.1	6.9
Net Stress Loans (% of advances)	4.8	4.2	4.1	3.8	3.4	3.3	2.9	2.7	2.7	2.3

Exhibit 3: A snapshot of the performance of its subsidiaries

Subsidiaries PAT (INR m)	FY20				FY21				FY22	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
I Sec	1,140	1,350	1,370	1,560	1,930	2,780	2,670	3,290	3,110	61	-5
I Sec PD	690	1,400	970	260	3,460	260	1,320	660	1,240	-64	88
I Venture	220	-40	30	-70	260	-80	-20	-120	10	-96	-108
Pru. AMC	2,190	3,050	3,050	2,170	2,570	2,820	3,580	3,480	3,800	48	9
ICICI Home Finance	-60	-610	30	640	10	20	30	150	170	1,600	13
ICIC Life Insurance	2,850	3,020	3,020	1,790	2,880	3,030	3,060	640	-1,860	-165	-391
ICICI General Insurance	3,100	3,080	2,940	2,820	3,980	4,160	3,140	3,460	1,520	-62	-56
Consolidation adjustment	-4,070	-6,490	-6,175	-8,874	-9,902	-6,683	-8,196	-6,726	-6,680	-33	-1
Subsidiaries PAT	6,060	4,760	5,235	296	5,188	6,307	5,584	4,834	1,310	-75	-73
ICICI Bank	19,080	6,550	41,465	12,214	25,992	42,513	49,396	44,026	46,160	78	5
Consol. Profit	25,140	11,310	46,700	12,510	31,180	48,820	54,980	48,860	47,470	52	-3

Margins expanded 5bp QoQ to 3.89%

Deposits decline QoQ, CASA moderates to ~46%; margin expands 5bp QoQ

- Deposits grew 15.5% YoY (-0.7% QoQ) to INR9.3t, within which CASA/term deposits grew ~25%/~8.7% YoY (-1.5%/flat QoQ). CA deposits declined by 13% QoQ, while SA deposits grew 4% QoQ. CASA mix moderated by 40bp QoQ to 45.9% (120bp increase on an average basis to 43.7%).
- NIM expanded by 5bp QoQ to 3.89% as the cost of deposits fell to 3.65% (-15bp QoQ). Domestic margin expanded by 5bp QoQ to 3.99%, while overseas NIM declined by 17bp to 0.27%.

Domestic loan growth stood ~20% YoY, led by ~20% growth in the Retail book, which now constitutes 61.6% of total loans

Loan growth remains modest; Retail loans grew 20% YoY

- Loan growth stood ~17% YoY (+0.7% QoQ) to INR7.4t, which was driven by a 20% growth in Retail loans. Domestic loans grew ~20% YoY, while International loans fell ~15%. Proportion of International loans in overall loans stood at 5.4% (v/s 5.1% in 4QFY21).
- Retail loans grew ~20% YoY (0.7% QoQ), within which Home/Personal loans grew ~24%/~13%. Business Banking grew ~53% YoY. Growth in Credit Cards stood ~17%, while Vehicle loan growth stood at 9% YoY.
- SME loans grew 43% YoY (-1.7% QoQ) and forms 4% of total loans.
- Corporate loans grew 9.5% YoY (-1.6% QoQ), while performing domestic Corporate loans (excluding the Builder portfolio) grew 15% YoY.

Quantum of BB and below exposure stands at INR181b (2.4% of loans)

BB & Below pool (including non-fund based) at 2.4% of loans; PCR healthy at 78.4%

- Total slippages in 1QFY22 stood at INR72.3b, with Retail slippages at INR67.7b, while Corporate and SME slippages stood at INR4.6b. Within Retail, INR9.6b/INR11.3b came from the Kisan Credit Card/Jewelry portfolio.
- Absolute GNPA/NNPA stood at INR431.5b/93.1b. The GNPA/NNPA ratio stood at 5.15%/1.16% v/s 4.96%/1.14% in Mar'21. PCR stood at 78.4%.
- In addition to reported PCR, the bank is carrying an additional provision of INR64.25b (0.9% of loans), while INR16.55b is non-fund based outstanding to NPAs. It holds a further INR58b of general provisions on standard assets and other provisions.
- Total restructuring for the bank stood at INR48.64b (0.7% of loans) v/s INR39.3b in 4QFY21. It is carrying provisions of INR9b on the same. Restructuring breakup – Retail and Business Banking (INR21.8b) and Corporate and SME (INR26.8).
- The BB & below book stood at INR181b (2.4% of loans – including non-fund outstanding to NPLs). SR portfolio stood at INR17b.

Provision of INR16.55b was held against non-fund outstanding to NPLs

Exhibit 4: ICICIB total exposure: BB and below stands at 2.4% of total loans (including non-fund outstanding to NPLs)

INR b	3Q FY20	4Q FY20	1Q FY21	2Q FY21	3Q FY21	4Q FY21	1Q FY22
Gross restructured loans	2.0	1.8	1.7	2.1	1.6	14.1	32.7
Non-fund o/s to restructured loans							
Non-fund o/s to non-performing loans	39.2	50.6	48.3	42.4	44.1	44.1	41.0
Borrowers with o/s greater than INR1b	98.7	81.3	85.3	80.8	95.2	79.2	72.4
Borrowers with o/s less than INR1b	34.2	32.9	35.8	36.4	39.7	37.8	34.6
BB and below outstanding	174.0	166.7	171.1	161.7	180.6	175.0	180.8

Of the other borrowers ~86% were rated A- and above (excluding exposure to state electricity boards)

Exhibit 5: Exposure to the Power sector stands at INR386b

INR b	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	%
Gross restructured loans	86.8	86.4	84.7	82.2	80.6	21
Other borrowers*	267.6	248.9	255.3	276.4	305.3	79
Total Power sector exposure	354.5	335.3	340.0	358.6	385.9	100

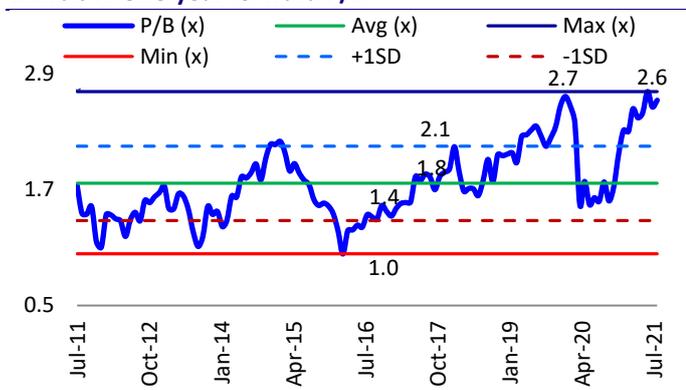
Valuation and view

- **Robust liability franchise:** ICICIB continues to see strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total deposits/CASA deposits clocked ~17% CAGR each over FY16-21, thus enabling the bank to have one of the highest CASA mix among its peers. It has one of the lowest funding costs among Private Banks, which enables it to underwrite profitable business without taking undue Balance Sheet risk.
- **Asset quality remains steady** even as the bank saw higher slippages over 1QFY22. GNPA/NNPA stood at 5.15%/1.16% v/s 4.96%/1.14% in FY21. BB and below pool increased marginally, while restructuring book remains controlled at ~0.7% of loans. While slippages could remain elevated over 1H, we expect it to moderate significantly over 2HFY22. PCR remains healthy at 78.4%, which, along with the additional provision buffer of INR64.2b, should keep credit cost under check. We estimate a credit cost of 1.3%/1.2% for FY22E/FY23E.
- Retail fees form ~76% of total bank fees, signifying granularity in fee income. While fee income has moderated due to muted business activities, we expect the trend to pick-up gradually as activity picks up further.
- **Buy with a TP of INR835/share:** ICICIB reported a strong earnings performance, led by robust core PPOP performance and controlled provisions. The steady mix of high yielding portfolio such as Retail/Business banking portfolio, deployment of excess liquidity, and low cost liability franchise is aiding margin expansion. COVID 2.0 has disrupted collections, leading to elevated slippages in the Retail/Business Banking portfolio. However, the management is confident of improved asset quality trends over FY22, mainly from 2H onwards. Restructured loans remain under control at 0.7% of loans. Provision coverage remains best in the industry and additional COVID-19 provision buffer (0.9% of loans) provides comfort on normalization in credit cost. We expect RoA/RoE to improve to 1.8%/15.3% for FY23E. **We maintain our Buy rating with a revised SoTP-based TP of INR835/share (2.6x FY23E ABV for the bank).**

Exhibit 6: SoTP-based pricing

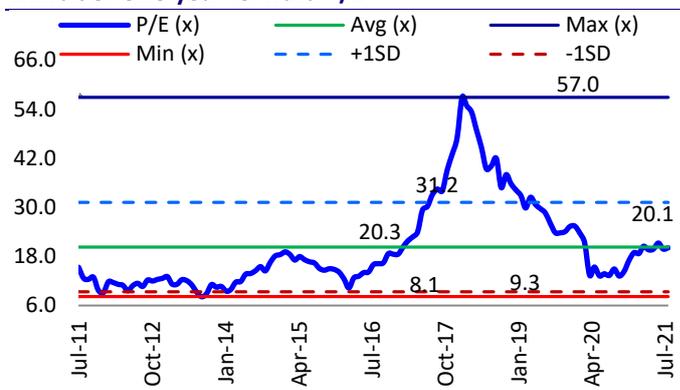
	Stake (%)	Total value (INR b)	Value per share (INR)	% of total value	Rationale
ICICI Bank	100	4,581	661	79.2	2.6x FY23E ABV
ICICI Pru. Life Insurance	51	516	75	8.9	2.6x FY23E Embedded Value
ICICI Lombard Gen. Ins.	52	358	52	6.2	30x FY23E PAT
ICICI Pru. AMC	51	282	41	4.9	30x FY23E PAT
ICICI Securities	75	225	33	3.9	21x FY23E PAT
ICICI Bank UK	100	30	4	0.5	0.8x FY23E net worth
ICICI Bank Canada	100	31	4	0.5	0.8x FY23E net worth
Others (Ventures, Home Finance, PD)	100	61	9	1.0	
Total Value of Ventures		1,503	217	26.0	
Less: 20% holding Discount		301	43	5.2	
Value of Key Ventures (Post Holding Co. Disc)		1,202	174	20.8	
Target Price Post 20% Holding Co. Disc.		5,784	835		

Exhibit 7: One-year forward P/B



Source: MOFSL, Company

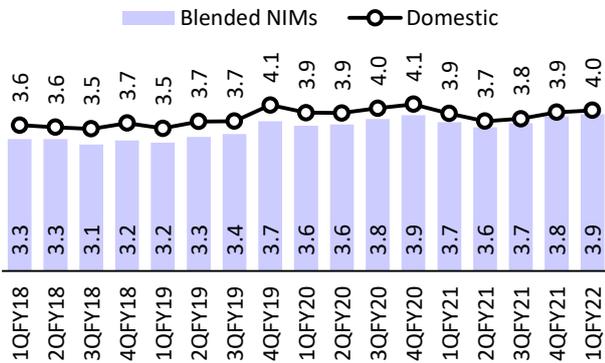
Exhibit 8: One-year forward P/E



Source: MOFSL, Company

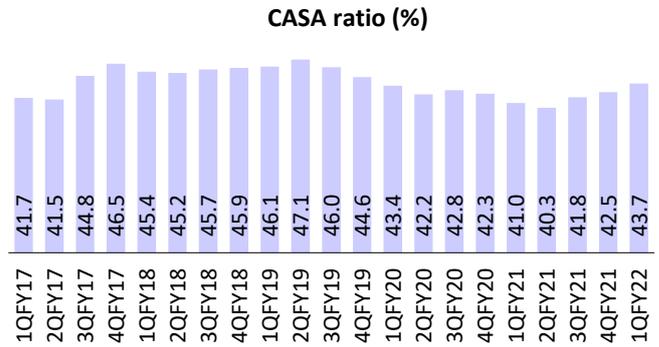
Story in charts

Exhibit 9: Domestic NIM expands 5bp QoQ to 3.99%



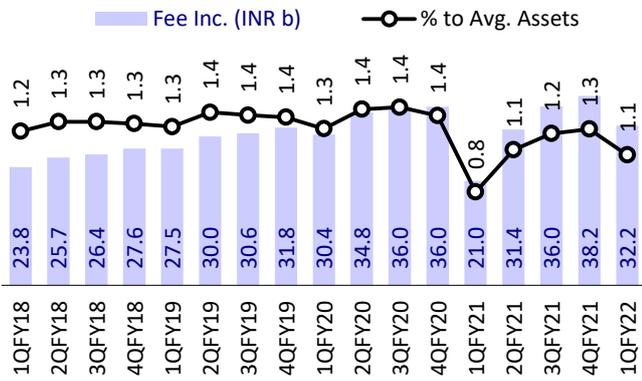
Source: MOFSL, Company

Exhibit 10: Average daily CASA ratio improves 120bp QoQ



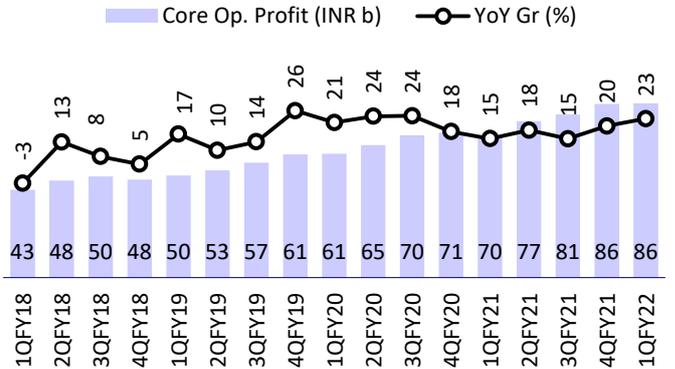
Source: MOFSL, Company

Exhibit 11: Fee income witnesses a sequential decline



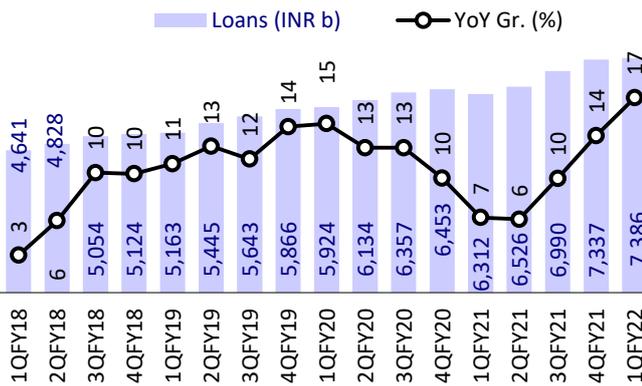
Source: MOFSL, Company

Exhibit 12: Core operating profit up 23% YoY



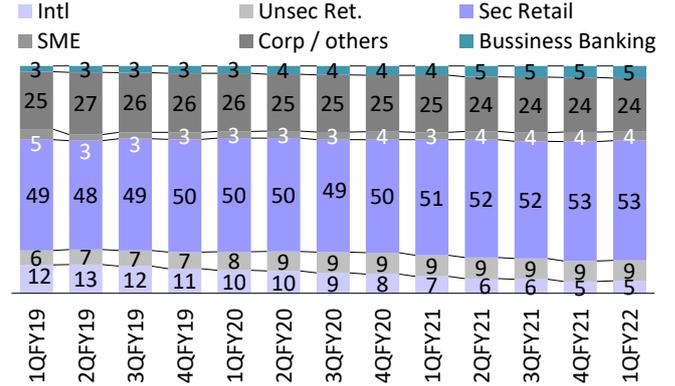
Source: MOFSL, Company

Exhibit 13: Overall loan growth grew 17% YoY



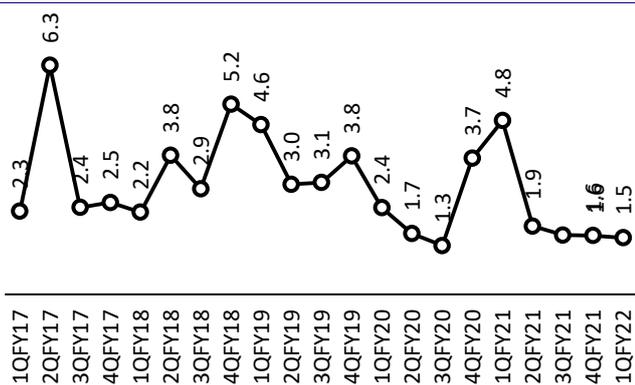
Source: MOFSL, Company

Exhibit 14: Retail loans continue to drive loan growth



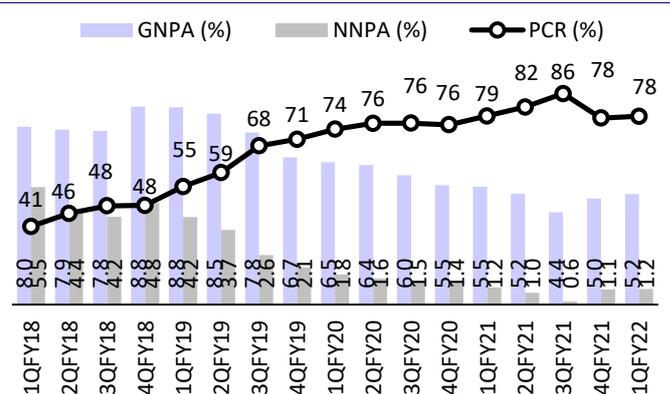
Source: MOFSL, Company

Exhibit 15: Credit cost stable at 1.5% as the bank holds sufficient COVID-related provisions



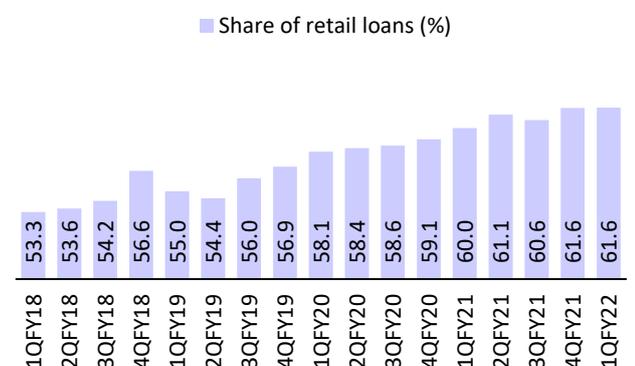
Source: MOFSL, Company

Exhibit 16: GNPA/NNPA ratio at 5.15%/1.16% v/s 4.96%/1.14% at Mar'21; PCR stood at 78%



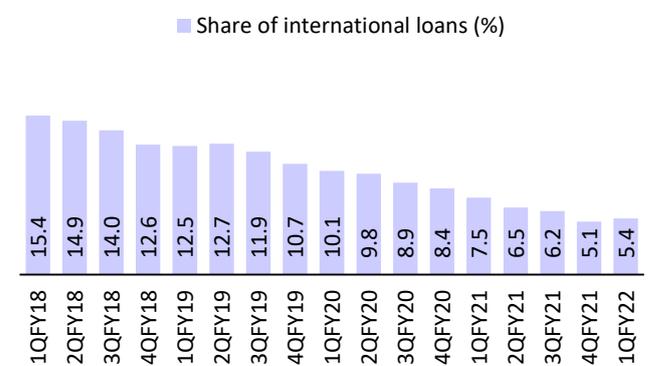
Source: MOFSL, Company

Exhibit 17: Share of Retail loans stood at 61.6% of total loans



Source: MOFSL, Company

Exhibit 18: Share of International loans rose to 5.4% of total loans



Source: MOFSL, Company

Exhibit 19: DuPont Analysis – Return ratios to pick up further, led by moderation in credit cost

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	7.26	6.66	6.88	7.25	6.79	6.87	6.95
Interest Expense	4.34	3.87	3.95	4.03	3.45	3.39	3.31
Net Interest Income	2.91	2.79	2.93	3.23	3.35	3.48	3.64
Core Fee Income	1.54	1.32	1.26	1.28	1.27	1.05	0.86
Trading and others	1.07	0.79	0.31	0.32	0.36	0.37	0.56
Non-Interest income	2.61	2.11	1.57	1.59	1.63	1.42	1.42
Total Income	5.53	4.90	4.50	4.82	4.98	4.91	5.06
Operating Expenses	1.98	1.90	1.96	2.10	1.85	1.93	1.95
Employee cost	0.77	0.72	0.74	0.80	0.69	0.72	0.72
Others	1.21	1.19	1.22	1.29	1.16	1.21	1.23
Operating Profit	3.55	3.00	2.54	2.72	3.13	2.98	3.11
Core operating Profit	2.48	2.21	2.23	2.41	2.77	2.61	2.54
Provisions	2.04	2.10	2.13	1.36	1.39	0.84	0.74
NPA	1.97	1.73	1.82	0.85	0.93	0.81	0.70
Others	0.07	0.37	0.31	0.51	0.47	0.03	0.04
PBT	1.51	0.90	0.41	1.36	1.73	2.14	2.36
Tax	0.20	0.08	0.04	0.59	0.34	0.51	0.57
RoA	1.31	0.82	0.36	0.77	1.39	1.63	1.80
Leverage	8.1	8.3	8.9	9.4	9.0	8.5	8.5
RoE	10.7	6.8	3.2	7.3	12.6	13.8	15.3
Core RoE	12.1	7.6	3.6	8.0	13.6	14.7	16.1

Financials and valuations

Income Statement								(INR b)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Interest Income	527.4	541.6	549.7	634.0	748.0	791.2	899.3	1,043.0
Interest Expended	315.2	324.2	319.4	363.9	415.3	401.3	443.5	497.0
Net Interest Income	212.2	217.4	230.3	270.1	332.7	389.9	455.8	546.0
Growth (%)	11.5	2.4	5.9	17.3	23.1	17.2	16.9	19.8
Other Income	153.2	195.0	174.2	145.1	164.5	189.7	185.9	213.8
Total Income	365.5	412.4	404.5	415.3	497.2	579.6	641.7	759.8
Growth (%)	17.1	12.8	-1.9	2.7	19.7	16.6	10.7	18.4
Operating Exp.	126.8	147.6	157.0	180.9	216.1	215.6	252.0	293.3
Operating Profit	238.6	264.9	247.4	234.4	281.0	364.0	389.7	466.5
Growth (%)	21.0	11.0	-6.6	-5.3	19.9	29.5	7.1	19.7
Core PPP	200.7	178.6	189.5	221.0	264.6	312.2	332.8	403.9
Growth (%)	10.4	-11.0	6.1	16.6	19.7	18.0	6.6	21.4
Provisions and Cont.	116.7	152.1	173.1	196.6	140.5	162.1	109.8	111.8
PBT	122.0	112.8	74.3	37.8	140.5	201.8	279.9	354.7
Tax	24.7	14.8	6.6	4.1	61.2	39.9	67.2	85.1
Tax Rate (%)	20.2	13.1	8.8	10.9	43.5	19.8	24.0	24.0
PAT	97.3	98.0	67.8	33.6	79.3	161.9	212.7	269.6
Growth (%)	-13.0	0.8	-30.9	-50.4	135.8	104.2	31.4	26.7

Balance Sheet								
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	12.8	12.8	12.9	12.9	12.9	13.8	13.8	13.8
Reserves and Surplus	884.6	979.0	1,038.7	1,070.8	1,152.1	1,461.2	1,658.8	1,910.2
Net Worth	900.9	995.3	1,051.6	1,083.7	1,165.0	1,475.1	1,672.6	1,924.0
Deposits	4,214.3	4,900.4	5,609.8	6,529.2	7,709.7	9,325.2	10,817.3	12,764.4
Growth (%)	16.6	16.3	14.5	16.4	18.1	21.0	16.0	18.0
Of which CASA Deposits	1,931.0	2,468.2	2,899.3	3,239.4	3,478.2	4,316.2	4,954.3	5,935.4
Growth (%)	17.5	27.8	17.5	11.7	7.4	24.1	14.8	19.8
Borrowings	1,744.6	1,472.1	1,828.6	1,653.2	1,629.0	916.3	693.2	703.6
Other Liabilities and Prov.	347.3	350.1	302.0	378.5	479.9	587.7	675.9	777.2
Total Liabilities	7,207.0	7,717.9	8,791.9	9,644.6	10,983.6	12,304.3	13,858.9	16,169.2
Current Assets	598.7	757.1	841.7	803.0	1,191.6	1,331.3	1,431.5	1,534.9
Investments	1,604.1	1,615.1	2,029.9	2,077.3	2,495.3	2,812.9	3,178.5	3,750.7
Growth (%)	1.4	0.7	25.7	2.3	20.1	12.7	13.0	18.0
Loans	4,352.6	4,642.3	5,124.0	5,866.5	6,452.9	7,337.3	8,437.9	9,956.7
Growth (%)	12.3	6.7	10.4	14.5	10.0	13.7	15.0	18.0
Net Fixed Assets	75.8	78.1	79.0	79.3	84.1	88.8	97.7	105.5
Other Assets	575.7	625.3	717.3	818.5	759.8	734.1	713.3	821.5
Total Assets	7,207.0	7,717.9	8,791.9	9,644.6	10,983.7	12,304.3	13,858.9	16,169.2

Asset Quality								
GNPA	262.2	425.5	540.6	462.9	414.5	414.6	430.6	450.9
NNPA	129.6	256.1	278.9	135.8	100.5	92.5	98.2	97.9
GNPA Ratio (%)	5.8	8.8	10.0	7.5	6.1	5.4	4.9	4.4
NNPA Ratio (%)	3.0	5.4	5.4	2.3	1.6	1.3	1.2	1.0
Slippage Ratio (%)	4.3	8.0	6.1	2.0	2.2	2.3	2.2	2.0
Credit Cost (%)	1.8	3.3	3.5	3.6	2.3	2.4	1.3	1.2
PCR (Excl. Technical write-off, %)	50.6	39.8	48.4	70.7	75.7	77.7	77.2	78.3

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Yield and Cost Ratios (%)								
Avg. Yield on Earning Assets	8.9	8.3	7.7	7.9	8.2	7.6	7.6	7.7
Avg. Yield on loans	9.5	8.8	8.4	8.7	9.3	8.3	8.7	8.8
Avg. Yield on Investments	6.7	7.1	6.3	6.2	6.4	6.2	5.9	5.9
Avg. Cost of Int. Bear. Liab.	5.6	5.3	4.6	4.7	4.7	4.1	4.1	4.0
Avg. Cost of Deposits	5.5	5.0	4.5	4.4	4.6	3.9	3.9	3.9
Interest Spread	3.6	3.4	3.0	3.3	3.5	3.5	3.6	3.7
Net Interest Margin	3.6	3.3	3.2	3.4	3.7	3.7	3.9	4.0

Capitalization Ratios (%)

CAR	16.6	17.4	17.9	16.9	16.1	18.9	18.6	18.0
Tier I	13.1	14.4	15.6	15.1	14.7	17.8	17.6	17.1
Tier II	3.6	3.0	2.3	1.8	1.4	1.1	0.9	0.8

Business and Efficiency Ratios (%)

Loan/Deposit Ratio	103.3	94.7	91.3	89.8	83.7	78.7	78.0	78.0
CASA Ratio (%)	45.8	50.4	51.7	49.6	45.1	46.3	45.8	46.5
Cost/Assets	1.8	1.9	1.8	1.9	2.0	1.8	1.8	1.8
Cost/Total Income	34.7	35.8	38.8	43.6	43.5	37.2	39.3	38.6
Cost/Core Income	38.7	45.2	45.3	45.0	45.0	40.8	43.1	42.1
Int. Expended/Int. Earned	59.8	59.9	58.1	57.4	55.5	50.7	49.3	47.7
Other Inc./Net Income	41.9	47.3	43.1	34.9	33.1	32.7	29.0	28.1
Empl. Cost/Op. Exps.	39.4	38.9	37.7	37.6	38.3	37.5	37.2	36.8

Valuation

RoE (%)	11.6	10.7	6.8	3.2	7.3	12.6	13.8	15.3
Core RoE (%)	13.4	12.1	7.6	3.6	8.0	13.6	14.7	16.1
RoA (%)	1.4	1.3	0.8	0.4	0.8	1.4	1.6	1.8
RoRWA (%)	1.7	1.6	1.1	0.5	1.0	1.9	2.3	2.5
Standalone ABV	117.1	120.2	115.3	135.5	151.3	187.3	216.0	253.1
ABV Growth (%)	5.2	2.7	-4.0	17.5	11.6	23.8	15.3	17.2
Adjusted Price-to-ABV (x)	4.3	4.2	4.4	3.7	3.3	2.7	2.3	2.0
Consol. Book Value (INR)	161.8	179.6	172.1	177.2	189.9	227.8	259.4	297.6
BV Growth (%)	10.8	11.0	-4.2	3.0	7.2	19.9	13.9	14.7
Price-to-Consol. BV (x)	4.2	3.8	3.9	3.8	3.6	3.0	2.6	2.3
EPS (INR)	16.7	16.8	11.1	5.2	12.3	24.2	30.8	39.0
EPS Growth (%)	-13.3	0.5	-34.3	-52.8	135.0	97.0	27.2	26.7
Adj. Price-to-Earnings (x)	30.0	29.9	45.5	96.3	41.0	20.8	16.3	12.9
Dividend Per Share (INR)	4.5	4.0	2.3	1.5	1.0	0.0	2.2	2.6
Dividend Yield (%)	0.7	0.6	0.3	0.2	0.1	0.0	0.3	0.4

E: MOFSL estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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