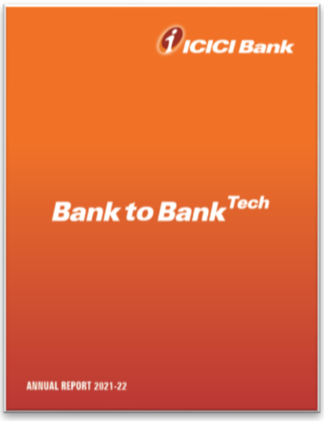
ICICI Bank

BSE SENSEX	S&P CNX
60,260	17,944



Stock Info

Bloomberg	ICICIBC IN
Equity Shares (m)	6,957
M.Cap.(INRb)/(USDb)	6146.1 / 77.4
52-Week Range (INR)	886 / 642
1, 6, 12 Rel. Per (%)	5/14/18
12M Avg Val (INR M)	10924
Free float (%)	100.0

Financials Snapshot (INR b)

Y/E March	FY22	FY23E	FY24E
NII	474.7	571.4	711.2
OP	392.5	457.7	568.7
NP	233.4	296.6	361.9
NIM (%)	4.0	4.1	4.4
EPS (INR)	33.7	42.7	52.1
EPS Gr (%)	39.2	26.8	22.0
ABV/Sh (INR)	223.3	265.3	315.0
Cons. BV/Sh. INR	262.0	305.5	358.0
Ratios			
RoE (%)	15.0	16.4	17.1
RoA (%)	1.8	2.0	2.1
Valuations			
P/BV (x) (Cons)	3.4	2.9	2.5
P/ABV (x)	3.2	2.7	2.3
P/E (x)	21.1	16.6	13.6

CMP: INR883 TP: INR1,050 (+19%) Buy

Strengthening its leadership with a best-in-class performance

Marching ahead on its journey from bank to bank tech

- **ICICIBC's Annual Report reaffirms our view that the bank is progressing well in its endeavor to strengthen its Balance Sheet, with a strong focus on the Retail franchise.**
- **While the Retail portfolio has been leading the overall loan growth, the SME and Business Banking portfolio grew 39% YoY in FY22 and constitutes 11% of total loans. Growth has been driven by InstaBIZ and Merchant Stack tools, which have improved operational efficiency and removed bottlenecks.**
- **The bank has one of the highest proportions of Retail deposits, with a strong CASA mix. Savings accounts per branch improved to INR664m in FY22 v/s INR461m in FY20, indicating higher productivity at the branch level. This has aided the 59bp YoY decline in the cost of deposits to 3.5% in FY22.**
- **The concentration of the top 20 advances/exposures improved by 193bp/244bp to 11.8%/12% in FY22. On the liability side, concentration of the top 20 depositors improved further by ~12bp to 5.3%.**
- **GNPAs improved aided by controlled slippages and healthy recoveries, and effective monitoring systems. We expect GNPA/NNPA to moderate to 2.4%/ 0.5% by FY24 and credit cost to undershoot its long-term trends.**
- **With asset quality holding strong, loan growth getting broad-based, and margin likely to improve, aided by the recent RBI rate hikes, we estimate RoA/RoE to improve to 2.1%/17.1% by FY24. We maintain our Buy rating with a SoTP-based TP of INR1,050 (2.8x FY24E ABV). ICICIBC remains our preferred play in the sector.**

Building a granular Retail franchise, aided by superior digitization

The bank continues to see a strong growth in Retail deposits and has successfully maintained a robust liability franchise. Total deposits/CASA clocked ~17%/~16% CAGR over FY17-22. CASA ratio remains healthy at 48.7% in FY22. The growth in its deposit franchise was supported by continuous efforts to strengthen its digital platforms and simplification of processes to provide a seamless banking experience to customers. While its liability franchise stands strong, the management intends to maintain a healthy and stable funding profile to deliver benefits on the cost of funds. The access to quality and granular low cost deposits has helped ICICIBC maintain its competitive advantage in the cost of funds over its peers.

Retail segment leads loan growth; the mix of SME and Business Banking rises to ~11%

ICICIBC grew its business by focusing on granularity, and saw healthy growth across Retail, SME, and Business Banking portfolios. This is underpinned by a focus on risk and reward, with a return of capital v/s a return on capital and avoidance of lumpy provisions. The bank has increased its focus on higher yielding Retail loans like Personal loans and Credit Cards. The share of Unsecured Retail loans rose to 10.2% of the total loan book from 5.9% in FY18. Around 75% of loans in this portfolio are to its existing customers, with an affinity towards the Salaried segment. SME and Business Banking growth will continue to be driven by digital offerings and platforms such as InstaBIZ and Merchant Stack. ICICIBC had adopted data analytics driven onboarding, credit assessment, and monitoring of these customers.

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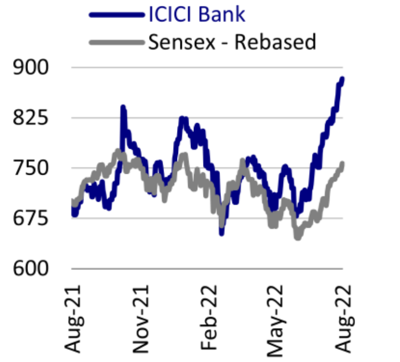
Stock Performance (1-year)



Shareholding pattern (%)

As On	Jun-22	Mar-22	Dec-21
Promoter	0.0	0.0	0.0
DII	45.3	44.5	43.7
FII	43.5	44.0	45.3
Others	11.2	11.5	11.0

FII Includes depository receipts

Profitability in the Corporate/Retail segment grew 56%/47%; treasury muted

Segmental profitability suggests Retail PBT grew 47% YoY and contributed ~37% to total profits, aided by lower provisions, as revenue growth was modest at 12%. Revenue from the Corporate segment grew 7% YoY. It reported a strong uptick in PBT, which grew 56% YoY to INR91b, underscoring the structural improvement in the Corporate segment. This segment now contributes ~30% to total profits v/s 6%/23% in FY20/FY21. Its treasury performance was under pressure as it reported an 11% YoY decline in PBT to INR98b. This segment formed ~32% to total profits.

Sharp improvement in RWA density; concentration ratios too improve

Its Tier I ratio stood healthy at 17.3% (CET-1 of 16.5%), with a total CAR of 18% in 1QFY23. The management's focus on lending to better-rated corporates has resulted in a sharp improvement in RWA density, which moderated to ~68% in FY22 (~870bp over FY20-22) from 84% in FY16. The concentration of the top 20 advances/exposures improved by 193bp/244bp to 11.8%/12% in FY22. On the liability side, concentration of the top 20 depositors improved by ~12bp to 5.3%.

Credit cost undershooting long term trends; D3/Loss NPLs rises to 45%

ICICIBC has made excellent progress towards improving its asset quality, with a best in class PCR of ~80%, which, coupled with contingent provisions of ~INR85b (0.9% of loans), will keep credit cost benign. An improvement in underwriting, led by increasing adoption of analytics, a lower BB and below book, and controlled restructuring will keep slippages under control. We expect GNPA/NNPA to moderate to 2.4%/0.5% by FY24 and credit cost to undershoot its long-term trends at 0.7% over FY22-24.

- Restructured book stood at INR73.8b (0.8% of loans), led by Retail, Rural, and Business Banking segments, which constitute 72%. It carries a PCR of 31% on these assets. The BB and below book fell 24% QoQ to INR82b (0.9% of the loans) v/s INR131b (1.8% of the loans) in FY21.
- The mix of doubtful three and loss assets constitutes ~45% of NPAs v/s 20% in FY19, which signifies the diminishing requirement of aging provisions.
- GNPAs in the Priority and non-Priority sector have improved, with a major improvement seen in the Industry and Services sector *(refer Exhibit 39)*.

Healthy performance of its subsidiaries

ICICIBC's subsidiaries reported healthy trends over FY22:

- **ICICI Prudential Life Insurance:** The share of traditional Savings/Protection grew to 27%/17% in FY22 from 9% each in FY19, while the mix of ULIP moderated to 48%. VNB margin improved to 28%/31% in FY22/1QFY23 v/s 17% in FY19.
- **ICICI Lombard General Insurance:** PAT declined by 14% YoY to INR12.7b, even as gross written premium grew 33%, impacted by higher claims. The combined ratio deteriorated to 108.8% v/s 99.8% in FY21, but is likely to improve in FY23.
- **ICICI Securities:** It is the leader in the Equity Brokerage space, with over 3.2m active accounts. It is the second largest non-bank mutual fund distributor with an AUM of INR489b. It reported a 30% YoY growth in profit to INR13.8b in FY22.
- **ICICI Prudential AMC:** PAT grew 17% YoY to INR14.5b. AUM grew 15% YoY to INR4.7t (holds the second rank). PAT, as a percentage of average AUM, has expanded to 0.31% in FY22 from 0.21% in FY19.

Other highlights

- Contingent liabilities grew significantly (~46% YoY) in FY22 due to a 58% increase in interest rate swaps and futures and currency options and a 31% rise in forward exchange contracts. This led to a rise in the proportion of contingent liabilities to ~274% of total assets from 215% in FY21.
- In FY22, RBI imposed penalties of INR30m for shifting of certain investments to AFS in May'17 from the HTM category and INR3m for non-compliance with the directions on the levy of penal charges for non-maintenance of minimum balance in savings accounts.
- The bank purchased/sold priority sector lending certificates (PSLCs) worth INR715b/INR1.01t (v/s INR358b/INR418b in FY21).
- The discount rate used for pension provisions grew to 6.3% in FY22 (v/s 5.75% in FY21). It increased to 6.85% for other employee benefits. The expected return on plan assets and salary escalation though stood stable at 7.5% and 7%, respectively.
- Fees from bancassurance grew a healthy 20% YoY to INR11.4b. Fee from the sale of Life/Non-Life Insurance fell 9%/22% YoY to INR5.8b/INR0.9b, while fees from the sale of mutual funds and other products grew 136% to INR4.7b.

Valuation and view

ICICIBC has been reporting a robust performance, led by a strong core PPOP, controlled provisions, and steady asset quality. A healthy mix of a high yielding portfolio (Retail/Business Banking) and a low-cost liability franchise is aiding margin expansion. The bank is witnessing a strong recovery across key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while PCR (~80%) remains one of the best in the industry. The additional COVID-19 provision buffer (90bp of loans) renders further comfort. Ahead of this new growth cycle, it is well-positioned with a superior margin, strong RoE and asset quality, and robust capitalization levels. Return on the stock will be a function of earnings growth and a re-rating over the coming years, and ICICIBC has all the ingredients in place to command the pole position in the Indian Banking space. We expect the bank to deliver a FY24 RoA/RoE of 2.1%/17.1%. We reiterate our Buy rating with an SoTP-based TP of INR1,050 (2.8x FY24E ABV). **ICICIBC remains our preferred play in the sector.**

The focus is on granular Retail deposits; maintains a robust liability profile

Superior digital offerings to ensure customer stickiness

Successfully maintains a robust liability franchise with an emphasis on a granular deposit base

The bank continues to see a strong growth in Retail deposits and has successfully maintained a robust liability franchise over the past few years. Total deposits/CASA clocked ~17%/~16% CAGR over FY17-22. CASA ratio has marginally declined to 48.7% in FY22 from 50.4% in FY17. In FY22, growth in CASA deposits (up 20.1% YoY) far exceeded the overall growth in deposits (up 14.2%) and Term deposits (up 9%). The growth in its deposit franchise was supported by continuous efforts to strengthen its digital platforms and simplification of processes to provide a seamless banking experience to customers. The management's focus is on garnering CASA and Retail Term deposits to maintain a healthy and stable funding profile, so as to maintain its competitive cost of funds advantage.

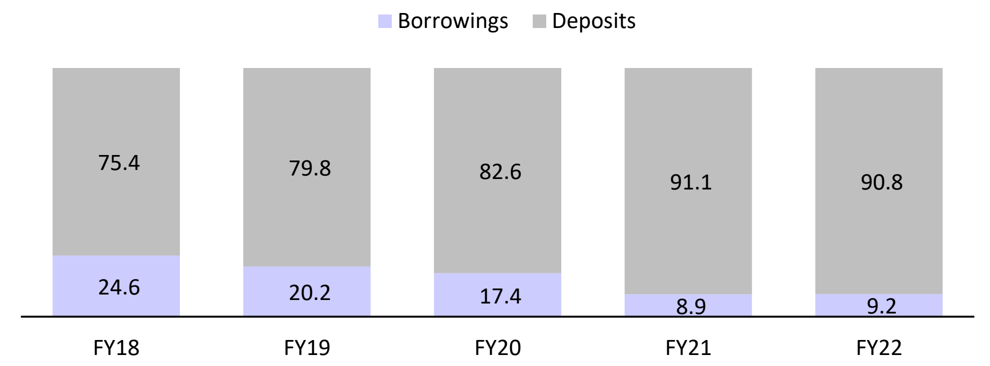
Superior digital platform, with rich features, to ensure customer stickiness

ICICIBC has launched several digital innovations, with powerful functionalities and seamless access to digital channels. These tools have the ability to offer customized solutions, enable data-driven cross-sell and up-sell, onboard new customers, and provide value-added features. With the bank embracing an open architecture, these services can be even availed by non-ICICIBC customers. Over 90% of financial and non-financial savings account transactions took place digitally in FY22. The bank is focused on transitioning from a culture of customer satisfaction to that of customer delight and advocacy.

Repositioning its focus on deposits from non-resident Indians

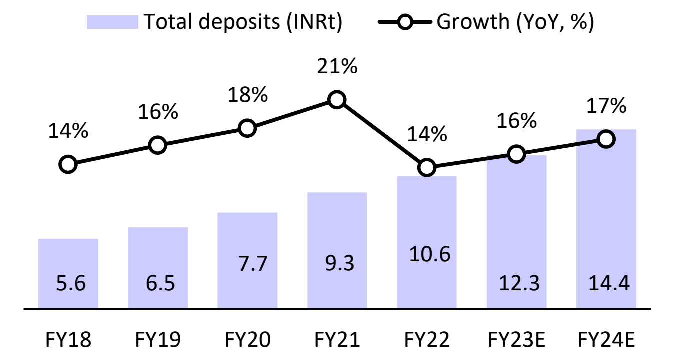
It is repositioning its international franchise to focus on deposits from non-resident Indians.

Exhibit 1: Reliance on borrowings falls to 9% in FY22 from 25% in FY18



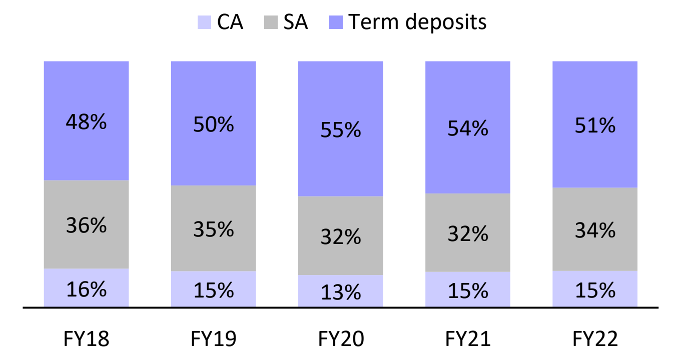
Source: Company, MOFSL

Exhibit 2: Total deposits clocks ~17% CAGR over FY17-22; expect a similar momentum to continue



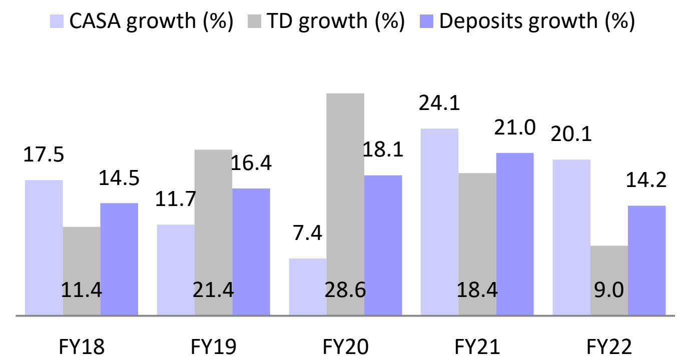
Source: Company, MOFSL

Exhibit 3: CASA ratio improves to 48.7% in FY22; CAGR growth in Term deposits higher by 350bp v/s CASA growth



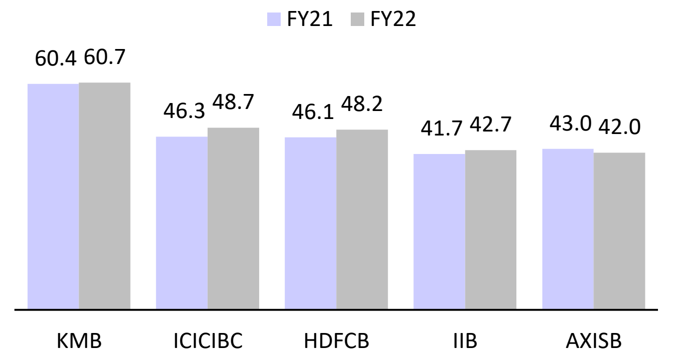
Source: Company, MOFSL

Exhibit 4: Term deposit growth significantly lower in FY22 as compared to its usual trend



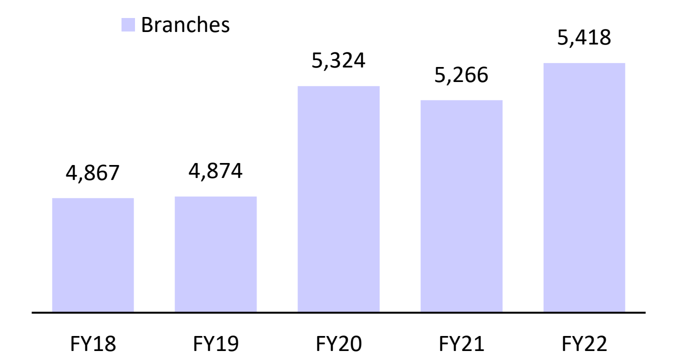
Source: Company, MOFSL

Exhibit 5: Strong CASA reflects ICICIBC's competitive advantage over its peers



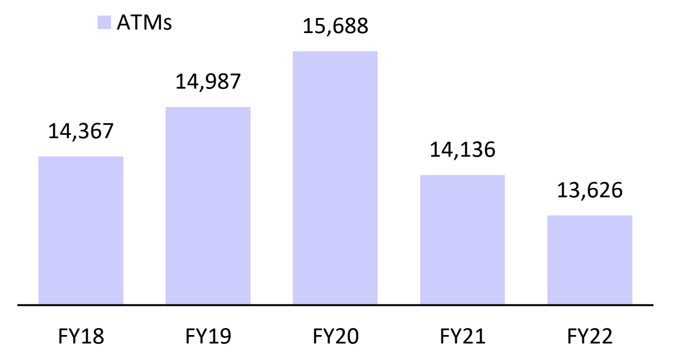
Source: Company, MOFSL

Exhibit 6: Branch rationalization led by micro-market assessment and digitization



Source: Company, MOFSL

Exhibit 7: Realigns its ATM count depending on customer needs and market opportunity



Source: Company, MOFSL

Lower cost of funds a competitive advantage; strong margin tailwinds going into FY23

Banks witness a decline in the cost of funds in FY22 due to excess systemic liquidity

Indian Banks reduced interest rates on deposits in FY22, given the excess liquidity in the system. Overall cost of funds for the bank fell 54bp YoY to 3.7% in FY22. This was accompanied by a 59bp YoY decline in the cost of deposits to 3.5% in FY22. A higher proportion of average CASA deposits and decrease in the cost of Term deposits led to this decline. The access to quality and granular low cost deposits has helped

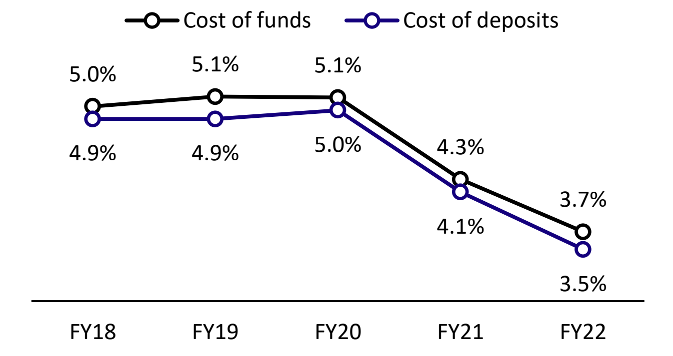
ICICIBC maintain its competitive advantage in the cost of funds over its peers, thus positioning it better to fight rate-sensitive lending segments.

Net interest margin grew 27bp YoY to 3.96% in FY22, led by a 23bp expansion in domestic NIM to 4.07%. Higher domestic NIM was driven by a decrease in the cost of funds, partially offset by a decrease in yields. NIM in its overseas operations fell 5bp YoY to 0.29% in FY22. However, the impact of this on the overall bank is limited as it overseas portfolio constitutes ~5% of total loans.

Outlook on NIM remains strong due to pricing power, a rising share of high yielding assets, and a higher share of floating rate loans

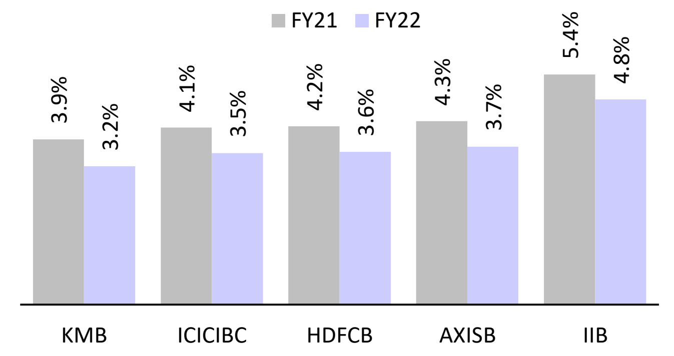
NIM will improve on the back of higher pricing power (amid a strong demand environment), increasing share of unsecured, and higher yielding Retail assets (Personal loans and Credit Cards), lower interest reversal due to lesser slippages (pristine and well-provided asset quality), and competitive advantage in its cost of funds. Floating rate loans constitute 70% of total loans and will benefit from the rate hikes by RBI. Loans are being re-priced faster than deposits. Also, the entire benefit of the rate hike is usually not passed on to deposit holders. Therefore, the hikes will act as a further tailwind to margin through the course of FY23.

Exhibit 8: Strengthening liability franchise is improving the cost of funds for the bank



Source: MOFSL, Company

Exhibit 9: ICICIBC enjoys a lower cost of deposits over its peers, which is a key competitive advantage



Source: MOFSL, Company

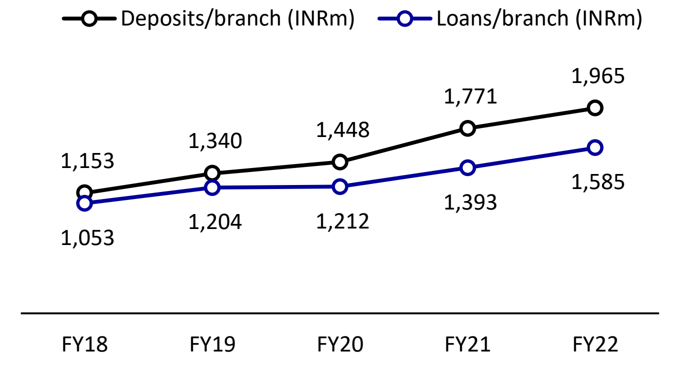
Rising business productivity

Higher productivity aided by digitization

Business per branch has improved to INR3.6b in FY22 from ~INR2.2b in FY18 (13% CAGR). Business per employee has also improved to INR182m in FY22 from INR130m in FY18 (~9% CAGR). Out of its 5,418 branches, 51% are in rural and semi-urban regions, with 649 branches in villages that were previously unbanked.

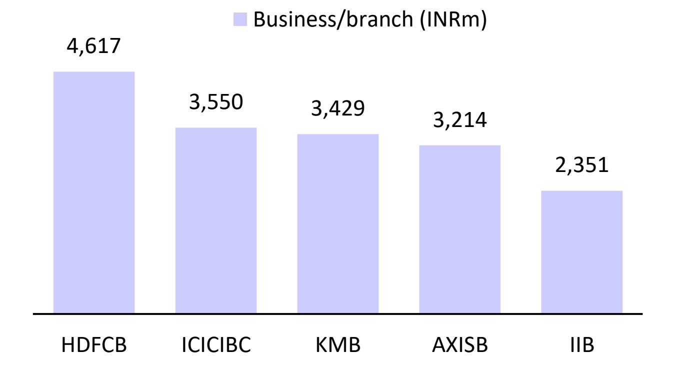
Over the last few years, Private Banks have been focusing on improving branch productivity and leveraging technology. Thus, branch productivity (savings accounts per branch) of most Private Banks has seen healthy growth. **Savings accounts per branch for ICICIBC has clocked 13% CAGR over FY18-22 to INR664m, indicating higher productivity and operational efficiency at the branch level.** The same remains below HDFCB and KMB, thus offering scope to bridge this gap.

Exhibit 10: Business/branch consistently improves, stands at INR3,550m in FY22



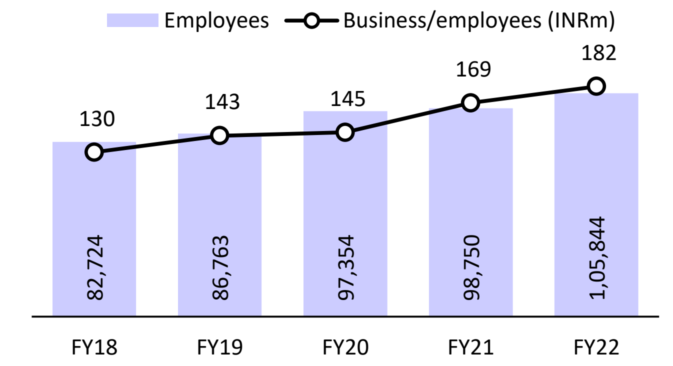
Source: Company, MOFSL

Exhibit 11: ICICIBC derives a higher amount of business per branch as compared to its peers



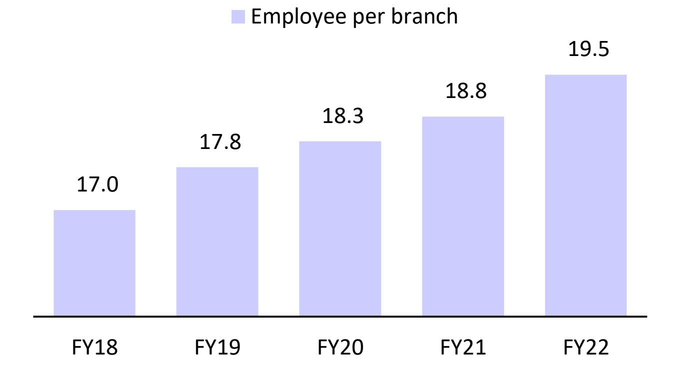
Source: Company, MOFSL

Exhibit 12: Business/employee improves to INR182m from INR130m in FY18 on improving efficiency and digitization



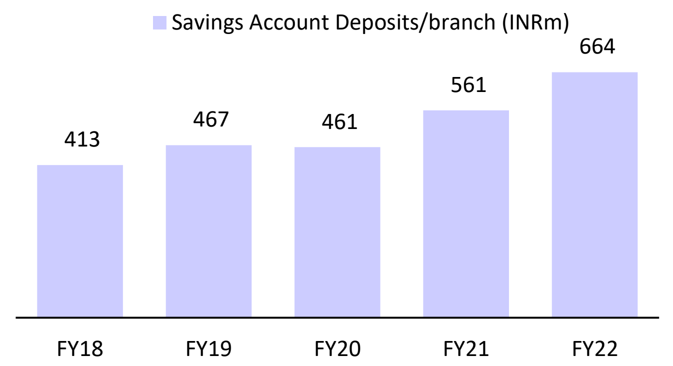
Source: Company, MOFSL

Exhibit 13: Employee per branch gradually inches up due to branch rationalization



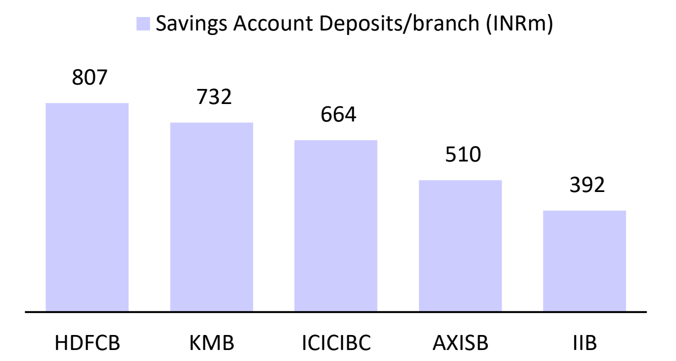
Source: Company, MOFSL

Exhibit 14: Savings account deposits/branch improves by 13% CAGR over FY18-22



Source: Company, MOFSL

Exhibit 15: Adequate scope for an improvement in traction in savings accounts per branch



Source: Company, MOFSL

Retail segment leads loan growth; the mix of SME and Business Banking rises to ~11%

SME and Business Banking emerge as strong growth frontiers

The management's focus is on growing its core operating profit in a risk-calibrated manner. It is not constrained by any target on loan mix

- ICICIBC grew its business by focusing on granularity, and saw healthy growth across Retail, SME, and Business Banking portfolios. This is underpinned by a focus on risk and reward, with a return of capital and containment of provisions below a defined percentage of core operating profit being key imperatives. The management does not have any target for loan mix or segment-wise loan growth.

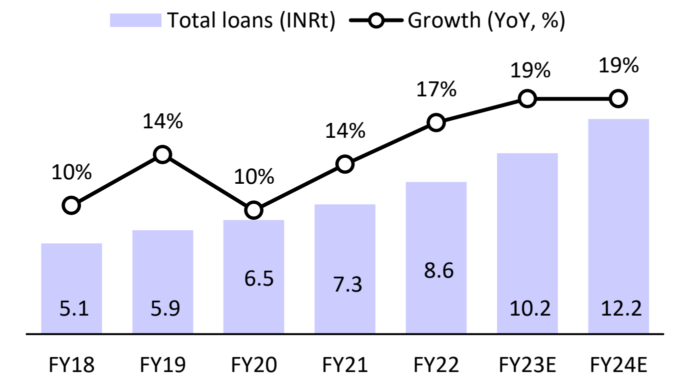
Retail, SME, and Business Banking are acting as growth enablers for ICICIBC

- The Retail portfolio remains a key driver of growth, led by its strategy of building a diversified and granular loan book. Retail loans grew 20% YoY in FY22 and constitute 52.9% of total loans. Including non-fund based outstanding, its contribution stood at 43.8% of the total portfolio
- SME and Business Banking are key growth drivers for the future. Growth in the portfolio will be driven by digital offerings and platforms such as InstaBIZ and Merchant Stack, and tools to increase efficiency and remove bottlenecks. The SME and Business Banking portfolio grew 39% YoY in FY22 and constitutes 11% of total loans.

A superior digital platform and offerings will drive growth in SME and Business Banking

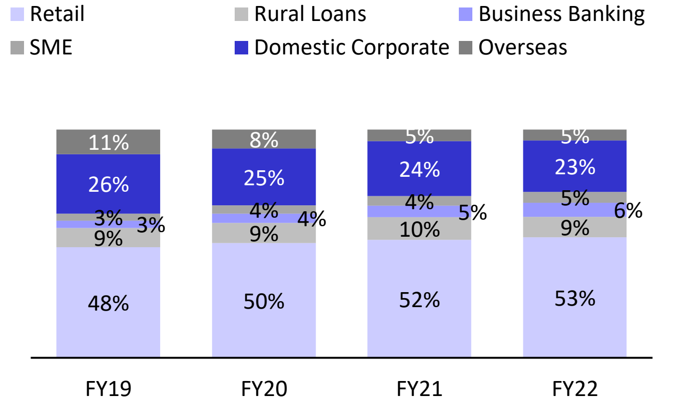
- The management's focus in these businesses is on parameterized and program-based lending. These customers are offered a wide range of solutions, with digital as a core engagement proposition. To enhance portfolio quality, ICICIBC had adopted data analytics driven onboarding, credit assessment, and monitoring of these customers. It combines qualitative and quantitative assessment to arrive at a final credit decision.
- The approach of ICICIBC in Wholesale/domestic Corporate banking is to deepen its partnership and support clients through their life cycle. This includes lending for working capital as well as capex needs, in addition to supporting other activities of the client across trade, treasury, and the supply chain. With the aim of becoming a business partner to the client rather than a mere provider of capital, the bank is offering its entire suite of products and specialized teams. Thus, client servicing is far more effective and boosts Corporate fee income. Its domestic Corporate portfolio grew 14% YoY in FY22 and constitutes 22% of total loans.
- ICICIBC has identified six main ecosystems in the rural market, which includes farmers, dealers, self-employed persons, corporates, institutions, and micro-entrepreneurs. These ecosystems are offered a range of products through an extensive network of branches, ATMs, field staff, and correspondents providing last-mile access, and thus greater convenience.
- Its international presence consists of branches in seven overseas locations and representative offices in nine locations outside India. The bank focuses on NRIs, MNCs, Global In-house Centers, and the funds ecosystem within this vertical. It continues to reduce its non-India linked exposure gradually. In FY22, this segment grew 14% YoY and constitutes 5% of overall loans.

Exhibit 16: Expect 19% loan growth each in FY23/FY24, targets total loans of INR12.2t in FY24



Source: Company, MOFSL

Exhibit 17: The share of Retail gradually inches up; SME and BB are new growth frontiers, forming 11% of the loan mix



Source: Company, MOFSL

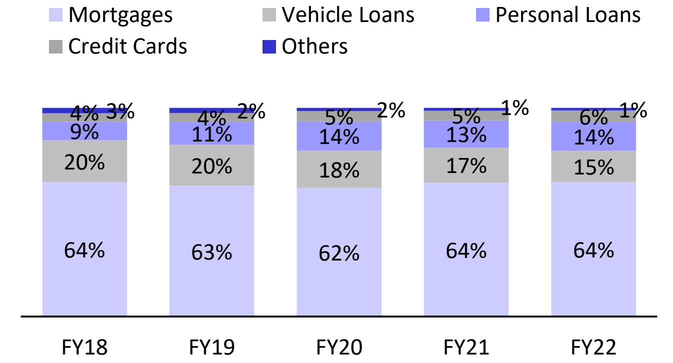
The bank has launched several digital lending solutions to tap the growing demand for mortgages and auto loans

- ICICIBC has introduced iLens – an integrated, end-to-end digital lending solution for mortgages. The platform acts as a single interface for all employees, third-party agencies, and distribution channels. Its Mortgage portfolio includes Home loans (~70%), Top-up loans offered to its existing Home loan customers (6%), Office Premises loans (~5%), and Loan Against Property (~19%). It has a liability relationship with ~ 75% of its Mortgage customers. The Home loan book is granular, with an average ticket size of INR3.1m, and is built conservatively (average LTV of 60%).
- It launched instant Car loans, an industry-first proposition for pre-approved customers. This product won the 'Best Automobile/Car Loan Product Award' in CY21. Its Auto loan portfolio comprises loans for New (86%) and Used Vehicles (14%).

Credit Cards are a strong focus area. Over 3m Amazon co-branded Credit Cards have been issued till Mar'22

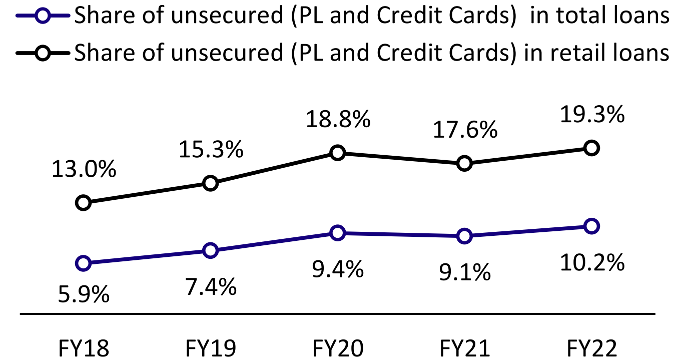
- The management continues to strengthen its presence in the digital payments ecosystem. It has tied up with Amazon and MakeMyTrip to offer co-branded Credit Cards. The former has been well received by the market, with ICICIBC issuing more than 3m cards till Mar'22. The growth in Credit Card transactions was led by a higher activation rate through the digital onboarding of customers. As a result, its market share in Credit Cards in force/spends improved to 17.6%/20.1% in FY22 from 17.1%/14.6% in FY21.
- Its Personal loan/Credit Card portfolio grew 27%/45% YoY. The share of Unsecured Retail loans increased to 10.2% of the total loan book from 5.9% in FY18. In terms of the Retail portfolio, the share of Unsecured Retail loans grew to 19.3% of its Retail portfolio from 13% in FY18.

Exhibit 18: Mortgage and Vehicle loans dominate the Retail portfolio with a share of ~79%



Source: Company, MOFSL

Exhibit 19: The proportion of Credit Cards and Personal loans rises and constitutes 19% of total Retail loans



Source: Company, MOFSL

- The SME and Business Banking segments are key growth drivers for the future. The SME portfolio comprises exposures to companies with a turnover of up to INR2.5b, while the Business Banking portfolio comprises small business customers with an average loan ticket size of INR10-15m. The average ticket size of incremental sanctions in SME is ~INR110m.

The management aspires to build a granular focused SME and Business Banking book by leveraging its digital capabilities

- The bank has been building this book by leveraging its distribution network and extensive use of digital platforms such as InstaBIZ, Merchant Stack, and Trade Online. The management is conscious of the risks involved and is focused on enhancing portfolio quality. To reduce concentration risks, it is leaning towards a granular and collateralized-lending based growth. The primary collateral in the portfolio is in the form of a charge on current assets and is typically backed by property.
- In order to further strengthen its digital offerings for its SME and Business Banking customers, it introduced a new version of InstaBIZ. This version offers a host of services that can also be experienced by non-ICICIBC account holders. An instant overdraft facility up to INR2.5m can also be availed on this platform.

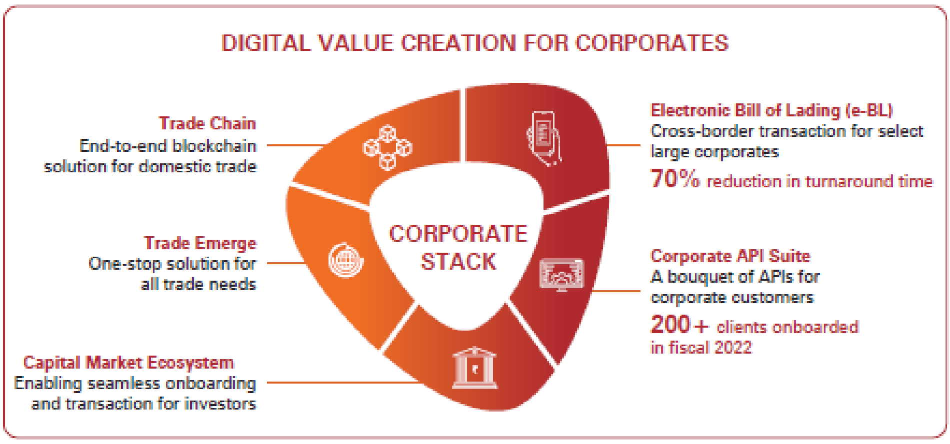
Exhibit 20: InstaBIZ to serve as a growth engine for the SME and Business Banking segment

Source: Company, MOFSL

The Corporate segment is poised for a revival after undergoing several challenges over the past few years

- Deleveraged balance sheets, capacity expansion plans, and government-led initiatives to create an *Atmanirbhar Bharat* will usher a growth momentum in the Corporate book. To tap into this growth, ICICIBC provides a full suite of banking products to its Corporate clients and their ecosystems.
- It has launched customized stacks for Corporates in over 20 key industries. These stacks offer customized and comprehensive digital banking services and solutions to Corporates and their ecosystems.

Exhibit 21: ICICIBC offers several tools to enhance the digital experience of Corporates



Source: Company, MOFSL

- The bank opened 12 exclusive branches in FY22, with multi-functional teams and the necessary expertise to provide its entire gamut of services to Corporate clients.

The management aims to maximize risk calibrated core operating profit by emerging as a partner for all Corporate Banking needs, thereby generating a strong fee income

- In Corporate Banking, the management's approach has been to deepen engagement and emerge as a business partner throughout their life cycle. Support is provided through a wide range of lending solutions and other products across trade, treasury, bonds, commercial papers, channel financing, supply-chain solutions, and various other activities. This furthers the bank's strategy of maximizing its risk-calibrated core operating profit.
- Incremental sanctions are undertaken in a granular manner to well-established and higher-rated business groups. Due to this focus, there is a significant improvement in quality, with ~72% of the portfolio lent to 'A- and above' in FY22 v/s ~46% in FY18.

Exhibit 22: Sees a significant improvement in portfolio quality, with A- and above book constituting ~72% of loans as compared to ~46% in FY18 (%)

Advances rating profile	FY18	FY19	FY20	FY21	FY22
AA- and above	21.2	25.3	27.3	35.3	36.1
A+, A, A-	25.1	32.5	36.9	33.7	35.7
A- and above	**46.3**	**57.7**	**64.2**	**69.1**	**71.8**
BBB+, BBB, BBB-	34.5	33.4	29.8	25.6	24.5
BB and below#	6.9	4.1	3.0	3.6	2.2
Non-performing loans	11.0	4.0	2.4	1.1	0.7
Unrated	1.3	0.4	0.5	0.5	0.8
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Note: Based on internal ratings of the company, excluding its Retail and Rural portfolio

Source: Company, MOFSL

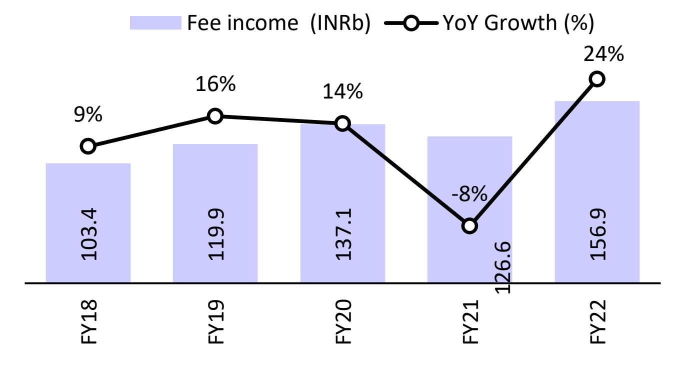
- The management is focused on reducing concentration risks to make its portfolio more granular. The exposure of the top 10 groups to its total exposure has fallen to 11.6% in FY22 from 14.3% in FY18.

Fee income granular led by Retail, Rural, SME, and Business Banking customers with a share of ~77%

- Fee income grew 23.9% YoY to INR157b in FY22, led by a rise in transaction banking fees, foreign exchange services and derivatives products, and lending-linked fees. This is on a low base as FY21 was impacted by lower borrowing and investment activity due to the COVID-19 pandemic.
- Retail fees grew 23.5% YoY to INR104b in FY22, driven by an increase in fees from its Credit Card portfolio and transaction banking services. Retail, rural, SME and business banking customers contributed ~77% to overall fees in FY22, signifying the granularity in fee income.
- The management's focus on the Credit Cards business and market share gain in cards-in-force as well as spends led to a growth in fees. Efficient use of data analytics, with an increase in the volume of digital transactions, has helped boost volumes for several Retail segments.
- A gradual revival in the Corporate portfolio will drive fee income as loan activity picks up, aided by a new investment cycle. This will result in demand for other Corporate Banking services, thus boosting overall fee income.

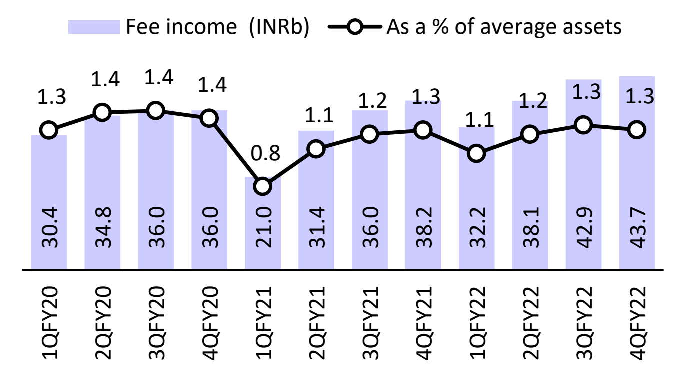
Fees from Retail, Rural, SME and Business Banking constitute ~77% of total fees

Exhibit 23: Fee income grew a robust 24% YoY in FY22



Source: Company, MOFSL

Exhibit 24: Core fee income constitutes ~1.3% of average assets



Source: Company, MOFSL

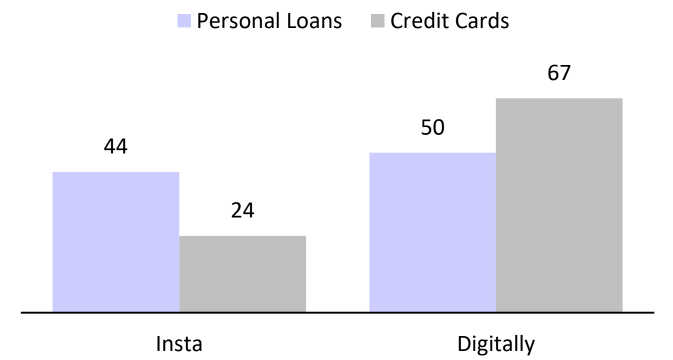
Strong focus on improving its digital platform

Focus on shifting from bank to bank tech a key driver

The management's focus remains on building a digital platform to provide a full bouquet of services and end-to-end solutions

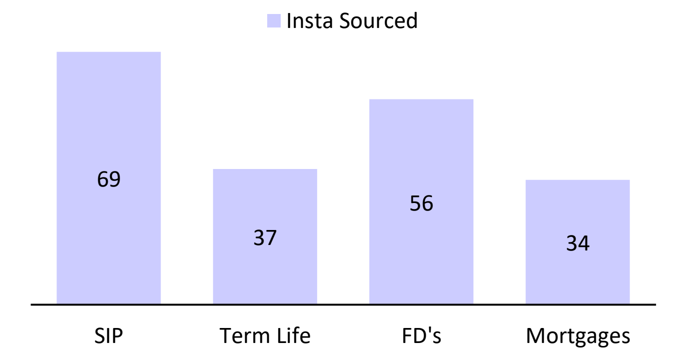
- The theme **'bank to bank tech'** highlights the digital and technological transformation that it is undertaking, which is being integrated into every aspect right from delivering value to customers to optimizing internal operations.
- ICICIBC's mobile applications – **iMobile Pay and InstaBIZ** – have now become universal, with an open architecture, enabling the bank to expand the number of people and businesses that it can serve.
- While strengthening the digital offerings for its SME and Business Banking customers, the bank introduced a new version of InstaBIZ, which offers a host of services that can now be experienced by non-ICICIBC account holders too.
- It has been creating intuitive customer journeys and offering personalized solutions to suit their life stage and business needs. The key services being offered include instant digital account opening, loan solutions, payment solutions, investments, and insurance solutions.
- **Launches 'ICICI STACK for Corporates' in FY22:** It offers comprehensive solutions to corporates and their ecosystems, like channel partners, dealers, vendors, employees, and other stakeholders, thus offering its entire gamut of services to the customer. It offers customized digital banking services to companies in over 20 key industries.
- The bank also **launched 'Merchant Stack,'** which offers an array of banking and value-added services to retailers, online businesses, and large e-commerce firms. The main pillars of the 'Merchant Stack' include a zero balance Super Merchant Current Account, which offers various benefits such as digital account opening and instant overdraft facilities based on point-of-sale transactions.
- It also **introduced iLens**, an integrated, end-to-end digital lending solution for mortgages, which covers all facets of the loan life cycle, starting from sales till disbursement, including property appraisal. It also introduced digital processing of Home loan applications for its Non-Resident Indian (NRI) customers.

Exhibit 25: Digital sourcing of Retail products in FY22



Source: MOFSL, Company

Exhibit 26: Digital sourcing of products in FY22



Source: MOFSL, Company

Key digital metrics:

Around 90% of SA transactions are carried out through digital channels

- iMobile Pay witnessed ~6.3m activations (7.3m till 1QFY23) from non-ICICIBC customers, with the value of transactions up 4.9x YoY.
- Digital channels account for over 90% of financial and non-financial savings account transactions.
- Average ticket size of mobile banking transactions stood at 2x that of the industry.
- Balances of digitally active customers stood at 1.49x v/s inactive customers.
- Around 0.17m products have been cross-sold across deposits, lending, trade, and payments.
- The bank has crossed 1m customers in InstaBIZ, with the value of transactions rising 71% YoY. A 76% increase was seen in online trade transactions.
- It is the market leader in FASTag, with a share of 33%. UPI transactions are up 2.3x in FY22.
- Around 34% of mortgage sanctions by volume were end-to-end digital in FY22.
- The volume of UPI P2M transactions grew 57.5% YoY and the value of these transactions was 2.3x that of FY21 levels.
- **Insta Corporate:** The number of accounts opened digitally grew 3x, API volumes rose 2.9x, with a 1.4x increase in the monthly average balance.

ICICIBC is the second largest player with a market share of ~20% in Credit Card spends

- ICICIBC's Credit Card business is showing a robust performance, with a significant improvement in market share over the years. Value of Credit Card transactions doubled in FY22, with over 3m Amazon Pay Credit Cards issued till Mar'22. It is currently the third largest Credit Card issuer, with a total card base of 13.5m (market share of 17.2%), and the second largest players in terms of spends, with a market share of ~20%.

Exhibit 27: Market share in Credit Card spends

(%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	1QFY23
HDFCB	29.4	30.0	30.6	29.4	28.6	28.0	28.8	30.9	26.4	27.5
SBICARD	10.6	11.1	12.0	13.2	16.6	17.1	17.8	19.4	19.1	18.2
ICICIBC	11.1	11.2	10.9	10.9	11.1	11.1	12.2	14.6	20.0	19.6
AXSB	5.7	7.1	7.5	8.7	9.6	10.2	10.4	8.4	8.6	8.8

Source: Company, MOFSL

Exhibit 28: Market share in outstanding Credit Card spends

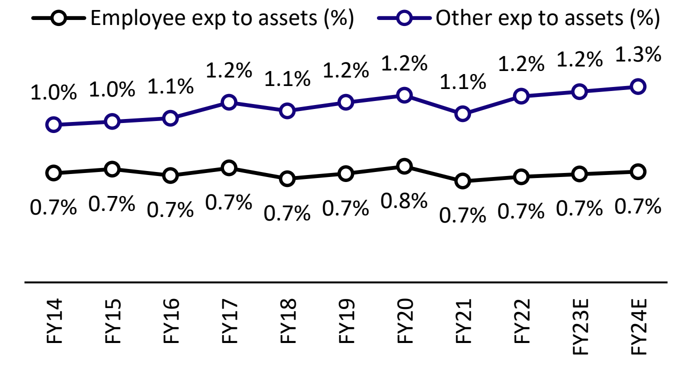
(%)	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	1QFY23
HDFCB	26.8	28.3	29.7	28.6	28.5	26.5	25.1	24.2	22.5	22.4
SBICARD	14.9	15.0	14.8	15.3	16.7	17.6	18.3	19.1	18.7	18.2
ICICIBC	16.6	15.8	14.9	14.3	13.3	14.1	15.8	17.1	17.6	17.2
AXSB	7.2	8.2	9.8	11.2	12.0	12.7	12.1	11.5	12.3	12.3

Source: Company, MOFSL

Operating efficiency to enable stable cost ratios

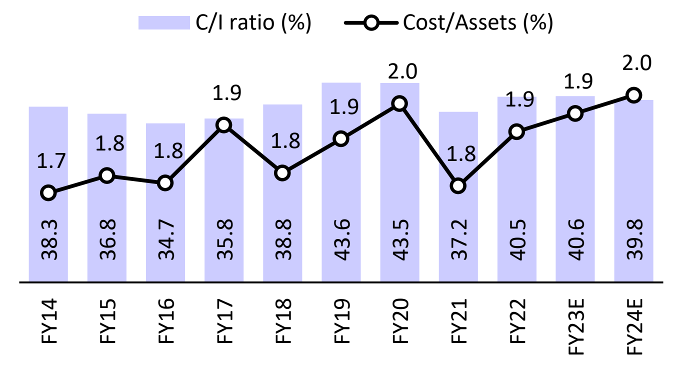
- ICICIBC has been continuously focusing on enhancing its technology capabilities to support its business growth and expand into new verticals. Despite regular investments in the business, the average cost-to-assets ratio stood stable in the 1.8-2% range over FY15-22, while the C/I ratio moderated to 40.5% in FY22 from 43.6% in FY19.
- It is strongly focusing on leveraging technology to raise volumes in the Retail/ SME segment, with an aim to maintain control over its cost metrics. We expect the C/I ratio to remain ~40% and the ratio of cost-to-average assets to sustain at 1.9-2% over FY22-24.

Exhibit 29: Expense ratios broadly stable over the past many years, despite a continuous investment in technology



Source: Company, MOFSL

Exhibit 30: Expect C/I ratio to stay ~40% and the ratio of cost-to-average assets to sustain at 1.9-2% over FY22-24



Source: Company, MOFSL

Profitability in the Corporate/Retail segment grew 56%/47%; treasury muted

Segmental profitability suggests Retail PBT grew 47% YoY and contributed ~37% to total profits, aided by lower provisions, as revenue growth was modest at 12%. Revenue from the Corporate segment grew 7% YoY. It reported a strong uptick in PBT, which grew 56% YoY to INR91b, underscoring the structural improvement in the Corporate segment. This segment now contributes ~30% to total profits v/s 6%/23% in FY20/FY21. Its treasury performance was under pressure as it reported an 11% YoY decline in PBT to INR98b, led by the hardening of yields, which is expected to stay soft over FY23. Treasury contributed ~32% to total profits.

Exhibit 31: Segmental trends across business segments – Corporate and Retail see a healthy uptick in profit

	Assets				Revenue				PBT			
INR b	**FY19**	**FY20**	**FY21**	**FY22**	**FY19**	**FY20**	**FY21**	**FY22**	**FY19**	**FY20**	**FY21**	**FY22**
Retail	3,072	3,513	4,125	4,877	592	726	757	846	82	90	77	114
YoY growth	**19%**	**14%**	**17%**	**18%**	**18%**	**23%**	**4%**	**12%**	**15%**	**9%**	**-14%**	**47%**
Corporate	2,885	3,073	3,259	3,791	342	399	372	400	-102	9	58	91
YoY growth	**9%**	**7%**	**6%**	**16%**	**14%**	**17%**	**-7%**	**7%**	**NA**	**LP**	**528%**	**56%**
Treasury	3,330	4,131	4,598	3,330	539	619	669	675	52	51	111	98
YoY growth	**1%**	**24%**	**11%**	**13%**	**4%**	**15%**	**8%**	**1%**	**-36%**	**-2%**	**119%**	**-11%**

Source: MOFSL, Company

Asset quality to stay under control; PCR best in class ~80%

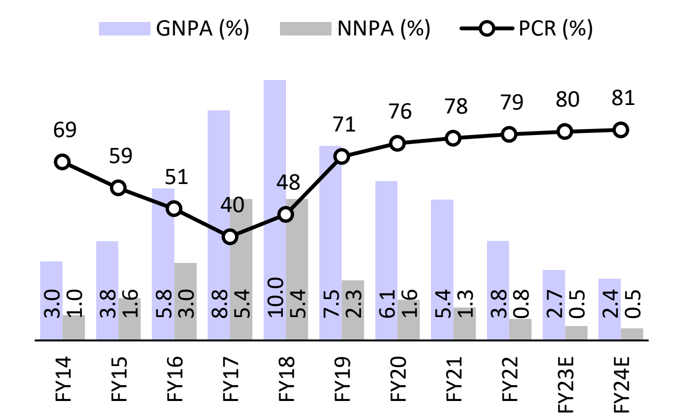
Lower BB and below and restructuring book to enable a sustained improvement in credit cost

- ICICIBC's asset quality position had improved further in FY22, with controlled slippages, a constant decline in the BB and below pool, and lower restructuring. Slippage ratio stood at 2.4%, which, coupled with healthy upgrades and write-offs, led to a decline in GNPAs to INR339.1b (3.8% of loans) in FY22 v/s INR414.6b (5.4%) in FY21. The bank has substantially raised its PCR to ~79%/~80% in FY22/ 1QFY23 v/s 48.4% in FY18, resulting in a decline of ~24% in its NPA. NNPL ratio improved and moderated to below 1% at 0.8% in FY22 v/s 1.3% in FY21.
- **COVID-related restructuring:** Total restructured book stood at INR73.8b (0.8% of loans), led by Retail, Rural, and Business Banking segments, which constitute 72% (INR52.8b), while the Corporate ad SME segment constitutes 28% (INR21b). The management is not seeing any unusual behavior and expects the overall stress to be controlled. It carries 31% PCR on the same.

Net stressed loans fell to 2.2% of loans; restructuring book stands controlled at 0.8% of loans

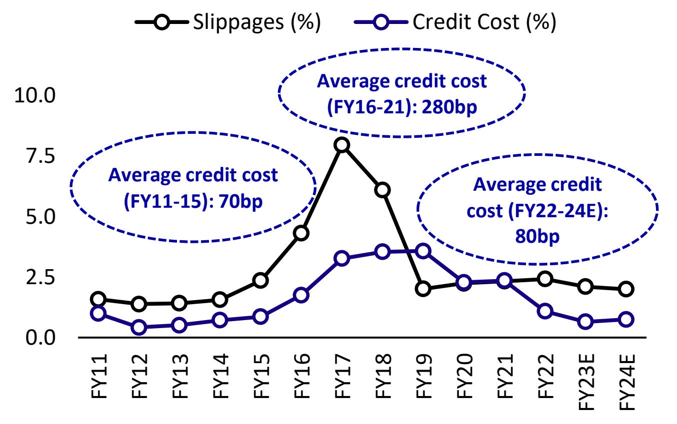
- Out of the total slippages of INR192.9b, ~INR173.6b (90%) accrued from the Retail, Rural, and Business Banking segment, while that from the Corporate segment stood negligible. Furthermore, the BB and below book fell 24% QoQ to INR82b (0.9% of the loans) v/s INR131b (1.8% of the loans) in FY21. Total net stressed loans declined to 2.2% (excluding NNPA).
- ICICIBC has made excellent progress towards improving its asset quality, with a best in class PCR of ~80%, which will keep credit cost benign. An improvement in underwriting, led by increasing adoption of analytics, a lower BB and below book, and controlled restructuring places ICICIBC well to keep slippages under control. We expect GNPA/NNPA to moderate to 2.4%/0.5% by FY24 and credit cost to undershoot its long-term trends at 0.7% over FY22-24.

Exhibit 32: Asset quality witnesses constant improvement; PCR to remain the industry best ~81%



Source: Company, MOFSL

Exhibit 33: Slippages and credit costs undershoot the long-term trends, reverting to their normalized levels



Source: Company, MOFSL

Exhibit 34: ICICIBC's total exposure: BB and below stood at 0.9% of total loans in 1QFY23

INR b	FY20	FY21	FY22	1QFY23
Fund and non-fund outstanding to restructured loans	1.8	14.1	23.9	22.9
Borrowers with an outstanding greater than INR1b	81.3	79.2	58.8	38.1
Borrowers with an outstanding less than INR1b	32.9	37.8	25.4	21.2
BB and below outstanding	**116.1**	**131.0**	**108.1**	**82.1**

Source: MOFSL, Company

The mix of doubtful three and loss NPLs rises to ~45%

- The mix of doubtful three and loss assets constitutes ~45% of NPAs v/s 20% in FY19, which signifies the diminishing requirement of aging provisions and the higher recovery prospects from fully provided and written-off accounts. This will keep credit cost moderate.

The concentration of the top 20 NPA accounts stood ~42% in FY22 v/s ~36% in FY21

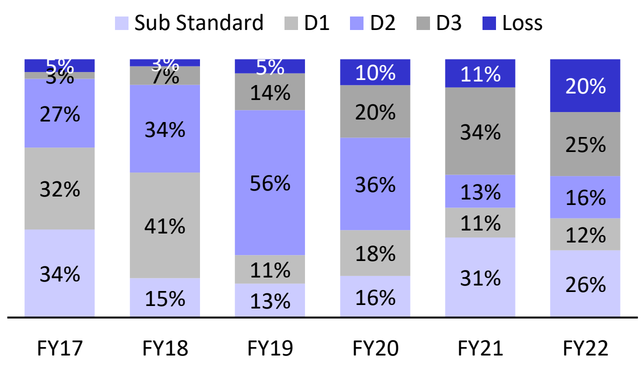
- While Banks have stopped disclosing the concentration of the top four NPA accounts, the same for the top 20 NPA accounts stood ~42% v/s ~36% in FY21. GNPAs in the Priority and non-Priority sector have improved, with a major improvement seen in the Industry and Services sector. GNPA for the non-Priority sector fell to 4.2% v/s 6.1% in FY21, led by a decline in the Industry sector to 10.9% v/s 13.3%/21% in FY21/FY19. The GNPA ratio for the Priority sector fell to 2.7% v/s 3.4% in FY21, despite Agriculture GNPAs rising to 5.3% v/s 4.3% in FY21.

Exhibit 35: Net stressed loans, excluding NNPA, moderate to 2.2% v/s 3.3% in FY21

INR b	FY20	FY21	FY22
GNPA	414.1	413.7	339.2
Security receipts	19.3	17.3	8.1
BB and below (FB and NFB based)	116.1	131.0	108.1
Stress loans	**549.4**	**562.0**	**455.3**
Specific provisions	313.0	321.9	269.6
Net stress loans	**236.4**	**240.1**	**185.8**
Gross stress loans (as a percentage of total loans)	**8.5**	**7.7**	**5.3**
Net stress loans (as a percentage of total loans)	**3.7**	**3.3**	**2.2**

Source: Company, MOFSL

Exhibit 36: A higher proportion of doubtful three and loss assets reflect the lower requirement of aging provisions



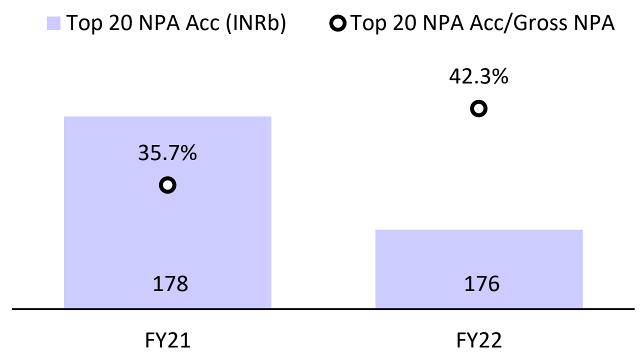
Source: Company, MOFSL

Exhibit 37: ICICIBC's exposure to the Power sector

INR b	FY20	FY21	FY22
Gross restructured loans	92.3	82.2	73.2
Other borrowers*	288.0	276.4	327.5
Total Power sector exposure	**380.3**	**358.6**	**400.7**

*Around 90% of loans are rated A- and above (excluding exposure to state electricity boards)

Exhibit 38: The concentration of top 20 NPA accounts stood ~42% of gross NPAs



Source: Company, MOFSL

Exhibit 39: GNPAs for the Priority and non-Priority sector improves, with a sharp improvement in the Industry and Services segment

INR b	FY19		FY20		FY21		FY22	
	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)	O/s advances	GNPA (%)
Priority sector								
Agriculture	447	3.7	466	4.2	481	4.3	561	5.3
Industry	398	1.1	508	1.1	547	1.6	793	1.2
Services	226	1.7	261	3.1	306	5.3	459	2.2
Personal loans	644	1.3	697	1.5	741	3.4	715	2.6
Total (A)	**1,715**	**1.9**	**1,932**	**2.3**	**2,073**	**3.4**	**2,529**	**2.7**
Non-Priority sector								
Agriculture	NA	NA	NA	NA	NA	NA	NA	NA
Industry	1,564	21.3	1,586	15.8	1,593	13.3	1,637	10.9
Services	1,168	5.7	1,212	6.8	1,401	4.2	1,534	2.7
Personal loans	1,743	1.3	2,032	1.5	2,588	2.6	3,157	1.5
Total (B)	**4,475**	**9.5**	**4,830**	**7.5**	**5,582**	**6.1**	**6,328**	**4.2**
Total (A+B)	**6,190**	**7.4**	**6,763**	**6.0**	**7,655**	**5.3**	**8,857**	**3.8**

Source: Company, MOFSL,

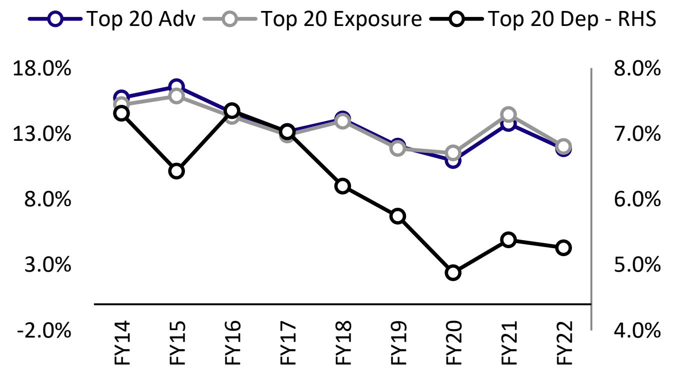
- **Contingent provisions and lower SR book provide comfort:** ICICIBC held contingent provisions of ~INR85b (0.9% of loans) and holds cumulative standard and other assets provisions of INR188b (2.1% of loans). The net SR book stands at INR8b as of FY22.
- **Sensitive sector exposure:** The bank's Commercial Real Estate exposure grew to INR714b in FY22 (from INR588b in FY21), and corresponds to 8.3% of total loans. Its exposure to the Capital Market grew to INR205b.

Sharp improvement in RWA density; concentration ratios too improve

The management's focus on granularization was reflected in its lower concentration ratio and better RWA density

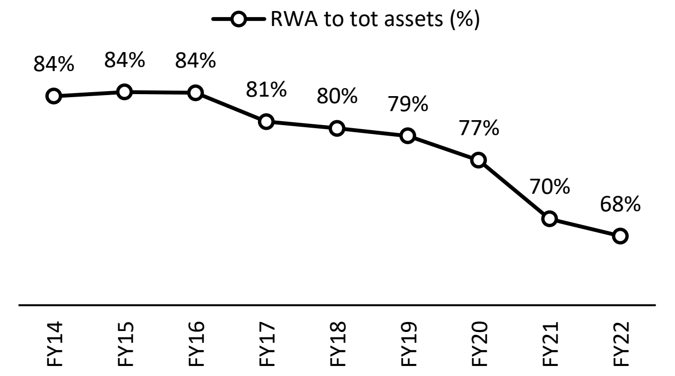
- Its Tier I ratio stood healthy at 17.3% (CET-1 of 16.5%), with a total CAR of 18% in 1QFY23. The management's focus on lending to better-rated corporates has resulted in a sharp improvement in RWA density, which moderated to ~68% in FY22 (~870bp over FY20-22) from 84% in FY16. The concentration of the top 20 advances/exposures improved by 193bp/244bp to 11.8%/12% in FY22. On the liability side, concentration of the top 20 depositors improved by ~12bp to 5.3%.

Exhibit 40: Concentration ratios seeing improving trends



Source: MOFSL, Company

Exhibit 41: RWA density improves to 68% from 84% in FY16



Source: MOFSL, Company

Other highlights from the Annual Report

- Contingent liabilities grew significantly (~46% YoY) in FY22 (24% CAGR over FY16-21) due to a 58% increase in interest rate swaps and futures and currency options and a 31% rise in forward exchange contracts. This led to a rise in the proportion of contingent liabilities to ~274% of total assets from 215% in FY21.

Exhibit 42: Contingent liabilities constitute ~274% of total assets

Contingent liabilities (INR b)	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Claims not acknowledged as debt	35	46	63	55	63	74	83
Outstanding forward exchange contracts	3,568	4,272	4,327	4,701	7,441	8,153	10,645
Guarantees offered in India	750	727	748	855	878	817	882
Guarantees offered outside India	255	203	198	211	210	178	156
Acceptances, endorsements etc.	473	478	410	434	347	324	463
Liability for partly paid investments	0	0	0	0	0	0	0
Currency swaps	460	411	417	423	510	482	498
IRS, currency options, and IRF	3,414	4,131	6,593	12,442	15,699	16,428	25,912
Others	53	41	138	99	90	31	37
Total	**9,008**	**10,310**	**12,892**	**19,220**	**25,238**	**26,486**	**38,677**
As a percentage of total assets (%)	**125**	**134**	**147**	**199**	**230**	**215**	**274**

Source: MOFSL, Company

- The number of **fraud accounts** stood at 5,678 in FY22, with the amount involved being INR31b v/s INR118b in FY21. The bank created provisions of INR3.73b towards the same.
- It holds provisions of INR3.1b (v/s INR2.62b in FY21) on advances to entities with an unhedged foreign currency exposure as of Mar'22. It held an incremental capital of INR9.36b on advances to borrowers with UFCE (v/s INR8.86b as of Mar'21).
- In FY22, RBI imposed penalties of INR30m for shifting of certain investments to AFS in May'17 from the HTM category and INR3m for non-compliance with the directions on the levy of penal charges for non-maintenance of minimum balance in savings accounts.
- **Purchase of PSLCs increases in FY22:** The bank purchased/sold priority sector lending certificates worth INR715b/INR1.01t (v/s INR358b/INR418b in FY21).
- The value of transactions through supply chain solutions in FY22 was 2.7x that of FY21 levels.
- **Fees from bancassurance** grew a healthy 20% YoY to INR11.4b. Fee from the sale of Life/Non-Life Insurance fell 9%/22% YoY to INR5.8b/INR0.9b, while fees from the sale of mutual funds and other products grew 136% to INR4.7b.

Exhibit 43: Bancassurance fee income witnesses a strong uptick

INR b	FY18	FY19	FY20	FY21	FY22
Sale of Life Insurance	8.8	9.8	8.5	6.4	5.8
Sale of non-Life Insurance	1.1	1.4	1.8	1.2	0.9
Sale of MF and others	5.0	3.2	1.5	2.0	4.7
Total	**15.0**	**14.3**	**11.8**	**9.5**	**11.4**

Source: MOFSL, Company

- **Change in discount rates:** The discount rate used for pension provisions grew to 6.3% in FY22 (v/s 5.75% in FY21). It increased to 6.85% for other employee benefits. The expected return on plan assets and salary escalation though stood stable at 7.5% and 7%, respectively.
- **Provision for reward points:** The bank further carries a total provision of INR3.3b toward both Credit Card and Debit Card reward points.

Exhibit 44: Provision for Credit Card and Debit Card reward points

INR m	FY17	FY18	FY19	FY20	FY21
Opening provision	1,627	1,893	2,086	2,435	2,613
Provision made during the fiscal	1,573	1,892	1,667	4,036	7,878
Utilization/write-back	1,307	1,699	1,318	3,858	7,212
Closing provision	**1,893**	**2,086**	**2,435**	**2,613**	**3,278**

Source: MOFSL, Company

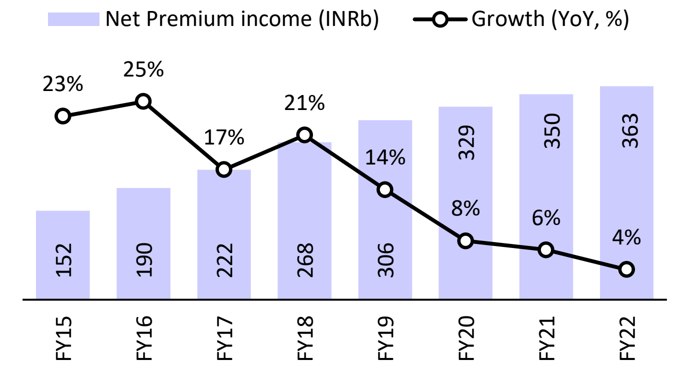
- The remuneration of non-managerial staff/key managerial personnel grew 11%/ 5-10%. The percentage increase in median remuneration stood ~11%.
- The ratio of the remuneration of the MD and CEO/Executive Director to that of median employees stood at 109x/95x. The MD and CEO earned a remuneration of INR70.5m and Executive Directors earned INR62-66m in FY22.

Healthy performance of its subsidiaries

Successful transforms from a singular focus on ULIPs to a more diversified product mix in FY22

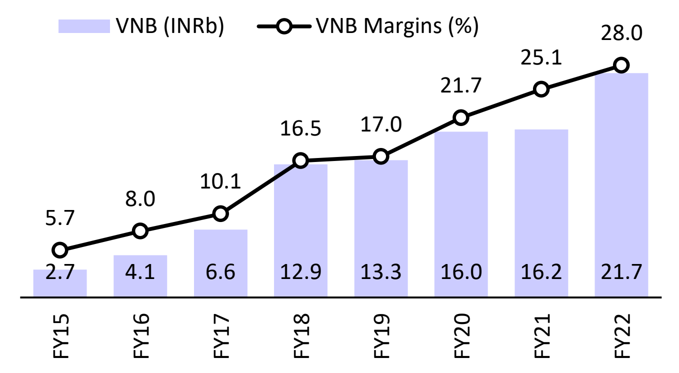
ICICI Prudential Life Insurance has successfully transformed and diversified its product mix over the last few years. Having shed its singular focus on ULIPs, its balanced product mix is now evident from the decline in the share of ULIPs to 48% in FY22 from 80% of APE in FY19. The share of traditional Savings/Protection grew to 27%/17% in FY22 from 9% each in FY19. As a result, VNB margin improved to 28% in FY22 v/s 17% in FY19. The same is likely to remain resilient, aided by a further improvement in the company's product mix. **In 1QFY23, VNB margin improved further to 31%.**

Exhibit 45: Clocks 10% CAGR in net premium over FY17-22



Source: Company, MOFSL

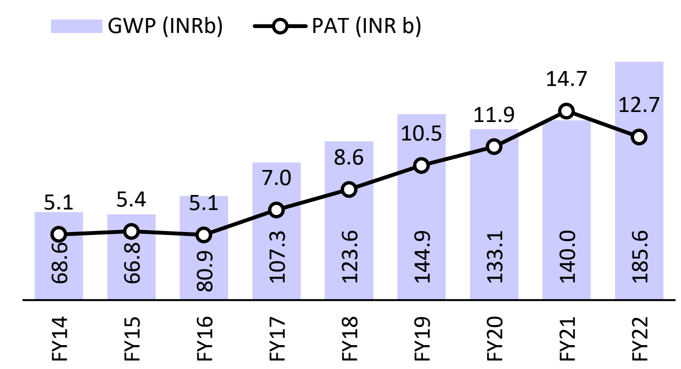
Exhibit 46: VNB margin improves to 28% in FY22



Source: Company, MOFSL

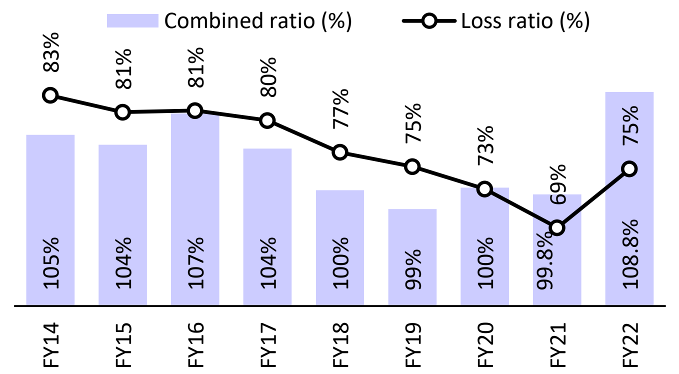
ICICI Lombard General Insurance: PAT declined by 14% YoY to INR12.7b (13% PAT CAGR over FY17-22), even as gross written premium grew 33% (12% CAGR over FY17-22), impacted by higher claims. The combined ratio deteriorated to 108.8% v/s 99.8% in FY21. Its market share in GDPI fell to 8.1% in FY22 v/s 9.9% in FY19 (calculated for the merged entity).

Exhibit 47: Clocks GWP/PAT CAGR of 12%/13% over FY17-22



Source: MOFSL

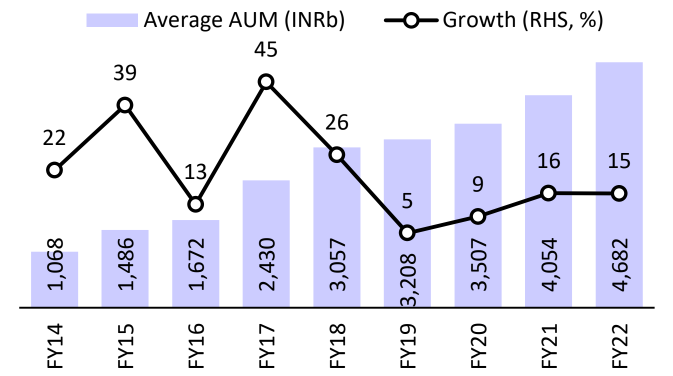
Exhibit 48: Trends in combined ratio and loss ratio



Source: Source: MOFSL

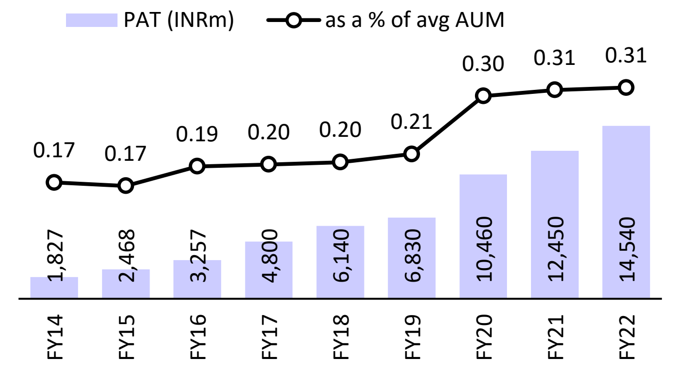
ICICI Prudential Asset Management Co.: In terms of AUM, it ranks second with an AUM of ~INR4.7t as of Mar'22. PAT/AUM has grown at 25%/14% CAGR over FY17-22. PAT, as a percentage of average AUM, has expanded to 0.31% in FY22 from 0.21% in FY19. In FY22, AUM growth was healthy at 15% YoY, with a 17% YoY growth in PAT to INR14.5b.

Exhibit 49: AUM for IPRU AMC grew 14% over FY17-22



Source: Company, MOFSL

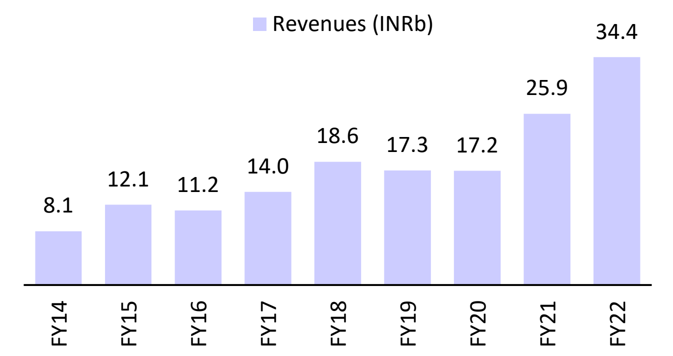
Exhibit 50: Clocks 25% PAT CAGR over FY17-22



Source: Company, MOFSL

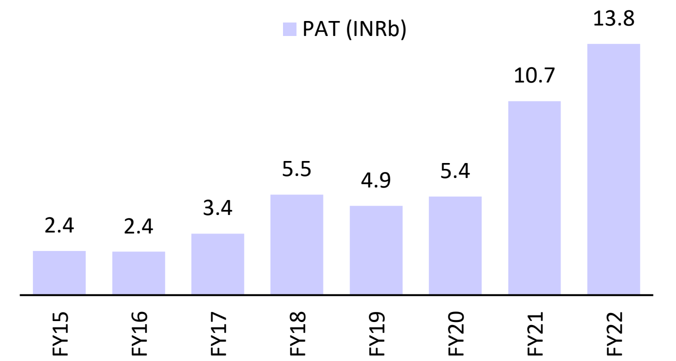
ICICI Securities: It is the leader in the Equity Brokerage space, with over 3.2m active accounts. In the Distribution business, it is the second largest non-bank mutual fund distributor with an AUM of INR489b. It reported a 30% YoY growth in profit to INR13.8b in FY22.

Exhibit 51: Clocks 25% revenue CAGR over FY17-22



Source: Company, MOFSL

Exhibit 52: Notches 42% PAT CAGR over FY17-22



Source: Company, MOFSL

Valuation and view

- **Robust liability franchise:** ICICIBC once again posted a strong growth in Retail deposits and has succeeded in building a robust liability franchise over the past few years. Total/CASA deposits clocked ~17%/16% CAGR over FY17-22, leading to one of the highest CASA mix among its peers. The bank enjoys one of the lowest funding costs among Private Banks, which enables it to underwrite a profitable business without taking undue Balance Sheet risk.
- **Asset quality improved**, backed by a moderation in slippages and higher recoveries and upgrades. GNPA/NNPA moderated to 3.41%/0.7% in 1QFY23 v/s 3.6%/0.76% in 4QFY22. The BB and below pool declined and the restructuring book fell to ~0.8% of loans. However, the bank is carrying provisions of ~31%, higher than the regulatory requirement. We expect slippages to moderate significantly over FY22-24. PCR remained healthy ~80%, which, along with the additional provision buffer of INR85b, should keep credit cost under check. We estimate a credit cost of 0.7%/0.8% in FY23/FY24.
- **Maintain Buy with a TP of INR1,050:** ICICIBC has been reporting a robust performance, led by a strong core PPOP, controlled provisions, and steady asset quality. A healthy mix of a high yielding portfolio (Retail/Business Banking) and a

low-cost liability franchise is aiding margin expansion. The bank is witnessing a strong recovery across key segments such as Retail, SME, and Business Banking. Asset quality trends remain steady, while PCR (~80%) remains one of the best in the industry. The additional COVID-19 provision buffer (90bp of loans) renders further comfort. Ahead of this new growth cycle, it is well-positioned with a superior margin, strong RoE and asset quality, and robust capitalization levels. Return on the stock will be a function of earnings growth and a re-rating over the coming years, and ICICIBC has all the ingredients in place to command the pole position in the Indian Banking space. **We expect the bank to deliver a FY24 RoA/RoE of 2.1%/17.1%. We reiterate our Buy rating with an SoTP-based TP of INR1,050 (2.8x FY24E ABV). ICICIBC remains our preferred play in the sector.**

Exhibit 53: SoTP-based valuation on a FY24E basis

	Stake (%)	Total value (INR b)	Value per share (INR)	As a percentage of total value	Rationale
ICICI Bank	**100**	**6,089**	**875**	**83.4**	❖ **2.8x FY24E ABV**
ICICI Pru. Life Insurance	51	497	72	6.8	❖ 2.3x FY24E Embedded Value
ICICI Lombard Gen. Ins.	48	334	48	4.6	❖ 35x FY24E PAT
ICICI Pru. AMC	51	368	53	5.0	❖ 30x FY24E PAT
ICICI Securities	75	186	27	2.6	❖ 17x FY24E PAT
ICICI Bank UK	100	30	4	0.4	❖ 0.8x FY24E net worth
ICICI Bank Canada	100	33	5	0.5	❖ 0.8x FY24E net worth
Others (Ventures, Home Finance, PD)	100	69	10	0.9	
Total Value of Ventures		**1,517**	**218**	**20.8**	
Less: 20% holding Discount		303	44	4.2	
Value of key ventures (post after a levy of a holding company discount)		**1,213**	**175**	**16.6**	
Target price post levy of a 20% holding company discount		**7,302**	**1,050**		

Source: MOFSL, Company

Exhibit 54: DuPont Analysis — Expect return ratio to pick up further over FY23 and FY24

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	6.66	6.88	7.25	6.79	6.54	7.04	7.45
Interest Expense	3.87	3.95	4.03	3.45	2.95	3.26	3.38
Net Interest Income	**2.79**	**2.93**	**3.23**	**3.35**	**3.59**	**3.78**	**4.07**
Core Fee Income	1.32	1.26	1.28	1.27	1.04	1.18	1.17
Trading and others	0.79	0.31	0.32	0.36	0.36	0.19	0.21
Non-Interest income	**2.11**	**1.57**	**1.59**	**1.63**	**1.40**	**1.37**	**1.38**
Total Income	**4.90**	**4.50**	**4.82**	**4.98**	**5.00**	**5.15**	**5.45**
Operating Expenses	**1.90**	**1.96**	**2.10**	**1.85**	**2.02**	**2.12**	**2.19**
Employee cost	0.72	0.74	0.80	0.69	0.73	0.75	0.78
Others	1.19	1.22	1.29	1.16	1.29	1.37	1.42
Operating Profit	**3.00**	**2.54**	**2.72**	**3.13**	**2.97**	**3.03**	**3.25**
Core operating Profit	**2.21**	**2.23**	**2.41**	**2.77**	**2.61**	**2.83**	**3.04**
Provisions	**2.10**	**2.13**	**1.36**	**1.39**	**0.65**	**0.45**	**0.53**
NPA	1.73	1.82	0.85	0.93	0.47	0.40	0.48
Others	0.37	0.31	0.51	0.47	0.19	0.04	0.05
PBT	**0.90**	**0.41**	**1.36**	**1.73**	**2.32**	**2.58**	**2.72**
Tax	0.08	0.04	0.59	0.34	0.55	0.62	0.65
RoA	**0.82**	**0.36**	**0.77**	**1.39**	**1.77**	**1.96**	**2.07**
Leverage	8.3	8.9	9.4	9.0	8.5	8.4	8.2
RoE	**6.8**	**3.2**	**7.3**	**12.6**	**15.0**	**16.4**	**17.1**
Core RoE	**7.6**	**3.6**	**8.0**	**13.6**	**15.9**	**17.2**	**17.7**

Source: MOFSL, Company

Financials and valuations

Income Statement (INR b)

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Interest Income	549.7	634.0	748.0	791.2	863.7	1,065.0	1,301.4
Interest Expended	319.4	363.9	415.3	401.3	389.1	493.6	590.2
Net Interest Income	**230.3**	**270.1**	**332.7**	**389.9**	**474.7**	**571.4**	**711.2**
Growth (%)	5.9	17.3	23.1	17.2	21.7	20.4	24.5
Other Income	174.2	145.1	164.5	189.7	185.2	207.4	240.6
Total Income	**404.5**	**415.3**	**497.2**	**579.6**	**659.8**	**778.8**	**951.8**
Growth (%)	-1.9	2.7	19.7	16.6	13.8	18.0	22.2
Operating Exp.	157.0	180.9	216.1	215.6	267.3	321.1	383.1
Operating Profit	**247.4**	**234.4**	**281.0**	**364.0**	**392.5**	**457.7**	**568.7**
Growth (%)	-6.6	-5.3	19.9	29.5	7.8	16.6	24.2
Core PPP	**189.5**	**221.0**	**264.6**	**312.2**	**385.5**	**454.2**	**564.7**
Growth (%)	6.1	16.6	19.7	18.0	23.5	17.8	24.3
Provisions and Cont.	173.1	196.6	140.5	162.1	86.4	67.5	92.5
PBT	**74.3**	**37.8**	**140.5**	**201.8**	**306.1**	**390.2**	**476.2**
Tax	6.6	4.1	61.2	39.9	72.7	93.6	114.3
Tax Rate (%)	8.8	10.9	43.5	19.8	23.7	24.0	24.0
PAT	**67.8**	**33.6**	**79.3**	**161.9**	**233.4**	**296.6**	**361.9**
Growth (%)	-30.9	-50.4	135.8	104.2	44.1	27.1	22.0

Balance Sheet

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	12.9	12.9	12.9	13.8	13.9	13.9	13.9
Reserves and Surplus	1,038.7	1,070.8	1,152.1	1,461.2	1,688.6	1,968.4	2,309.5
Net Worth	**1,051.6**	**1,083.7**	**1,165.0**	**1,475.1**	**1,702.5**	**1,982.3**	**2,323.4**
Deposits	**5,609.8**	**6,529.2**	**7,709.7**	**9,325.2**	**10,645.7**	**12,295.8**	**14,386.1**
Growth (%)	14.5	16.4	18.1	21.0	14.2	15.5	17.0
Of which CASA Deposits	**2,899.3**	**3,239.4**	**3,478.2**	**4,316.2**	**5,184.4**	**5,791.3**	**6,819.0**
Growth (%)	17.5	11.7	7.4	24.1	20.1	11.7	17.7
Borrowings	1,828.6	1,653.2	1,629.0	916.3	1,072.3	1,072.5	1,162.5
Other Liabilities and Prov.	302.0	378.5	479.9	587.7	689.8	793.3	936.1
Total Liabilities	**8,791.9**	**9,644.6**	**10,983.6**	**12,304.3**	**14,110.3**	**16,144.0**	**18,808.1**
Current Assets	841.7	803.0	1,191.6	1,331.3	1,678.2	1,511.5	1,647.0
Investments	**2,029.9**	**2,077.3**	**2,495.3**	**2,812.9**	**3,102.4**	**3,598.8**	**4,102.6**
Growth (%)	25.7	2.3	20.1	12.7	10.3	16.0	14.0
Loans	**5,124.0**	**5,866.5**	**6,452.9**	**7,337.3**	**8,590.2**	**10,222.3**	**12,164.6**
Growth (%)	10.4	14.5	10.0	13.7	17.1	19.0	19.0
Net Fixed Assets	**79.0**	**79.3**	**84.1**	**88.8**	**93.7**	**101.2**	**109.3**
Other Assets	717.3	818.5	759.8	734.1	648.4	710.1	784.6
Total Assets	**8,791.9**	**9,644.6**	**10,983.7**	**12,304.3**	**14,113.0**	**16,144.0**	**18,808.1**

Asset Quality

	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
GNPA	540.6	462.9	414.5	414.6	339.1	282.3	294.4
NNPA	278.9	135.8	100.5	92.5	70.6	55.8	56.1
GNPA Ratio (%)	10.0	7.5	6.1	5.4	3.8	2.7	2.4
NNPA Ratio (%)	5.4	2.3	1.6	1.3	0.8	0.5	0.5
Slippage Ratio (%)	6.1	2.0	2.2	2.3	2.4	2.1	2.0
Credit Cost (%)	3.5	3.6	2.3	2.4	1.1	0.7	0.8
PCR (Excl. Technical write-off) (%)	48.4	70.7	75.7	77.7	79.2	80.2	80.9

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Yield and Cost Ratios (%)							
Avg. Yield on Earning Assets	**7.7**	**7.9**	**8.2**	**7.6**	**7.3**	**7.7**	**8.1**
Avg. Yield on loans	8.4	8.7	9.3	8.3	8.0	8.7	9.0
Avg. Yield on Investments	6.3	6.2	6.4	6.2	5.5	6.3	6.7
Avg. Cost on Int. Bear. Liab.	**4.6**	**4.7**	**4.7**	**4.1**	**3.5**	**3.9**	**4.1**
Avg. Cost of Deposits	4.5	4.4	4.6	3.9	3.3	3.8	3.9
Interest Spread	**3.0**	**3.3**	**3.5**	**3.5**	**3.7**	**3.8**	**4.0**
Net Interest Margin	**3.2**	**3.4**	**3.7**	**3.7**	**4.0**	**4.1**	**4.4**

Capitalization Ratios (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
CAR	17.9	16.5	15.8	18.9	18.9	18.3	18.0
Tier I	*15.6*	*14.7*	*14.4*	*17.8*	*18.0*	*17.6*	*17.3*
Tier II	*2.3*	*1.7*	*1.4*	*1.1*	*0.9*	*0.7*	*0.6*

Business and Efficiency Ratios (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Loan/Deposit Ratio	91.3	89.8	83.7	78.7	80.7	83.1	84.6
CASA Ratio (%)	51.7	49.6	45.1	46.3	48.7	47.1	47.4
Cost/Assets	1.8	1.9	2.0	1.8	1.9	2.0	2.0
Cost/Total Income	38.8	43.6	43.5	37.2	40.5	41.2	40.3
Cost/Core Income	45.3	45.0	45.0	40.8	41.0	41.4	40.4
Int. Expended/Int. Earned	58.1	57.4	55.5	50.7	45.0	46.3	45.3
Other Inc./Net Income	43.1	34.9	33.1	32.7	28.1	26.6	25.3
Emp. Cost/Op. Exp.	37.7	37.6	38.3	37.5	36.2	35.5	35.5

Valuation	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**
RoE (%)	6.8	3.2	7.3	12.6	15.0	16.4	17.1
Core RoE (%)	7.6	3.6	8.0	13.6	15.9	17.2	17.7
RoA (%)	0.8	0.4	0.8	1.4	1.8	2.0	2.1
RoRWA (%)	1.0	0.5	1.0	1.9	2.6	2.8	2.9
Standalone ABV	115.3	135.5	151.3	187.3	223.3	265.3	315.0
ABV Growth (%)	-4.0	17.5	11.6	23.8	19.2	18.8	18.7
Adjusted Price-ABV (x)	**6.1**	**5.2**	**4.7**	**3.8**	**3.2**	**2.7**	**2.3**
Consol. Book Value (INR)	172.1	177.2	189.9	227.8	262.0	305.5	358.0
BV Growth (%)	-4.2	3.0	7.2	19.9	15.0	16.6	17.2
Price-to-Consol. BV (x)	**5.1**	**5.0**	**4.7**	**3.9**	**3.4**	**2.9**	**2.5**
EPS (INR)	11.1	5.2	12.3	24.2	33.7	42.7	52.1
EPS Growth (%)	-34.3	-52.8	135.0	97.0	39.2	26.8	22.0
Adj. Price-to-Earnings (x)	**64.1**	**135.6**	**57.7**	**29.3**	**21.1**	**16.6**	**13.6**

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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