

ICICI Bank Limited

Media conference call for quarter ended March 31, 2022

On April 23, 2022

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Moderator:

Ladies and gentlemen, we welcome you all to ICICI Bank's results conference call with Mr. Sandeep Batra – Executive Director, ICICI Bank and Mr. Rakesh Jha – Group Chief Financial Officer, ICICI Bank. Mr. Batra will now give you an overview of the results, which will be followed by a Q&A session. Thank you, and over to you, sir.

Sandeep Batra:

Good evening everyone. Joining me today for this call is our Group Chief Financial Officer- Rakesh Jha. Thank you all for joining us today. We hope that you are safe and in good health.

At ICICI Bank, we aim to grow the core operating profit within the guardrails of compliance and risk through our 360-degree customer-centric approach and focus on opportunities across client and segment ecosystems. We focus on growing our loan portfolio in a granular manner with a

focus on risk and reward, with return of capital and containment of provisions below a defined percentage of core operating profit being a key imperative. We follow a micro market based approach to create an efficient distribution and resource allocation strategy by using analytics to identify opportunities. We aim to steadily grow our business within our strategic framework and strengthen our franchise, delivery, and servicing capabilities, backed by a range of digital initiatives.

Our Board has today approved the financial results of ICICI Bank for the quarter ended March 31, 2022. I would like to highlight some key numbers:

A. Profit and capital

- Core operating profit that is profit before provisions and tax, excluding treasury income grew by 19% year-on-year to ₹ 10,164 crore in Q4-2022. Excluding dividend income from subsidiaries and associates, core operating profit grew by 21% year-on-year in Q4-2022. The core operating profit grew by 22% year-on-year to ₹ 38,347 crore in FY2022.
- Net interest income increased by 21% year-on-year to ₹ 12,605 crore in Q4-2022.
- The net interest margin was 4.00% in Q4-2022 compared to 3.84% in Q4-2021 and 3.96% in Q3-2022.
- Fee income grew by 14% year-on-year to ₹ 4,366 crore in Q4- 2022 from ₹ 3,815 crore in Q4-2021.
- The profit after tax grew by 59% year-on-year to ₹ 7,019 crore in Q4-2022. The profit after tax grew by 44% year-on-year to ₹ 23,339 crore in FY2022.
- The consolidated profit after tax grew by 58% year-on-year to ₹ 7,719 crore in Q4-2022 from ₹ 4,886 crore in Q4-2021. The consolidated profit after tax grew by 37% year-on-year to ₹ 25,110 crore in FY2022.
- The standalone RoE was 14.8% in FY2022.
- At March 31, 2022, the Bank had a net worth of about ₹ 1.7 lakh crore and a CET-1 ratio of 17.60%, Tier 1 ratio of 18.35% and total capital adequacy ratio of 19.16%.

B. Deposit growth

- Total deposits increased by 14% year-on-year to ₹ 10,64,572 crore at March 31, 2022.
- Average current account deposits increased by 24% year-on-year in Q4-2022 and 31% year-on-year in FY2022.
- Average savings account deposits increased by 23% year-on-year in Q4-2022 and 24% year-on-year in FY2022.

- Term deposits increased by 9% year-on-year to ₹ 546,135 crore at March 31, 2022

C. Loan growth

- The overall loan portfolio grew by 17.1% year-on-year and 5.5% sequentially at March 31, 2022. The domestic loan portfolio grew by 17.5% year-on-year and 5.7% sequentially at March 31, 2022.
- The retail loan portfolio, excluding rural loans, grew by 20% year-on-year and 6% sequentially at March 31, 2022. The rural portfolio grew by 6% year on year and 4% sequentially. The retail and rural portfolio together grew by 18% year on year and 6% sequentially. Including non-fund outstanding, the retail loan portfolio was 44% of the total portfolio at March 31, 2022. The business banking portfolio grew by 43% year-on-year and 10% sequentially at March 31, 2022. The SME business, comprising borrowers with a turnover of less than ₹ 250 crore grew by 34% year-on-year and 11% sequentially at March 31, 2022. Growth in the domestic wholesale banking portfolio was 10% year-on-year at March 31, 2022.
- 71.8% of the total loan portfolio, excluding, retail and rural, was rated A- and above at March 31, 2022

D. Digital initiatives

- There have been 63 lakh activations from non-ICICI Bank account holders on our mobile banking app, iMobile Pay as of end-March 2022. The value of transactions by non-ICICI Bank account holders on iMobile Pay in Q4-2022 was 4.9 times the value of transactions in Q3-2022.
- The business banking and SME franchise continues to grow on the back of digital offerings and platforms like InstaBIZ. InstaBIZ offers various services such as instant overdraft facility, payment 5 of GST, foreign exchange deal booking, business loans based on revenues reported in GST returns, automatic bank reconciliations and inward and outward remittances. The value of financial transactions on InstaBIZ grew by about 44% year-on-year in Q4- 2022. In line with the philosophy of open architecture of our digital platforms, the Bank recently made InstaBIZ app interoperable, that is, all benefits of the app are now available to all merchants including those who do not have a current account with the Bank. This initiative enables merchants to instantly create digital collection solutions UPI ID and QR code and start collecting money from their customers.
- The Bank's supply chain platforms enable corporates to seamlessly manage their supply chain financing and payments, collection and reconciliation requirements of their dealers and vendors in a convenient and paperless manner. The value of transactions through these supply chain platforms in Q4-2022 was 2.7 times the value of transactions in Q4-2021.

- The value of the Bank's merchant acquiring transactions through UPI in Q4-2022 was 2.4 times the value of transactions in Q4- 2021. The Bank is the market leader in electronic toll collections through FASTag. The Bank had a market share of about 33% by value in electronic toll collections through FASTag in Q4-2022, with a 27% year-on-year growth in collections.
- The value of credit card spends grew by 77% year-on-year in Q4- 2022 driven by higher activation rate through digital onboarding of customers, including Amazon Pay credit cards, automated and effective portfolio management to grow spends among existing card customers and diversification through commercial cards. The Bank has issued more than 30 lakh Amazon Pay credit cards since its launch. The Bank has recently tied up with Emirates Skywards, the award-winning loyalty programme of Emirates and FlyDubai, to launch a range of co-branded credit cards that enable customers to earn reward points on travel, lifestyle and everyday spends.
- The Bank has created more than 20 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. The volume of transactions through these solutions in FY2022 was 2.9 times the volume of transactions in FY2021. The value of transactions on the Bank's Trade Online platform, which allows customers to carry out most of their trade finance and foreign exchange related transactions digitally, grew by about 80% year-on-year in Q4- 2022.

E. Asset Quality

- The net non-performing assets declined by 24% year-on-year and 5% sequentially to ₹ 6,961 crore at March 31, 2022.
- The net NPA ratio declined from 0.85% at December 31, 2021 to 0.76% at March 31, 2022.
- During Q4-2022, there were net deletions from gross NPAs of ₹ 489 crore compared to ₹ 191 crore in Q3-2022. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 4,693 crore in Q4-2022.
- The gross NPAs written off were ₹ 2,644 crore in Q4-2022.
- The provision coverage ratio on NPAs was 79.2% at March 31, 2022.
- The total fund based outstanding to all borrowers under resolution as per the various extant regulations declined to ₹ 8,267 crore or 1.0% of total advances at March 31, 2022 from ₹ 9,684 crore at December 31, 2021.
- The Bank holds provisions amounting to ₹ 2,530 crore against these borrowers under resolution, as of March 31, 2022.

- The total provisions during the quarter were ₹ 1,069 crore or about 10.5% of core operating profit and about 0.53% of average advances. During Q4-2022, the Bank made contingency provisions of ₹ 1,025 crore on a prudent basis. The Bank continues to carry Covid-19 related provision of ₹ 6,425 crore as contingency provisions at March 31, 2022. Thus, the Bank held contingency provisions of ₹ 7,450 crore at March 31, 2022.

We continue to remain optimistic about the resilience and growth prospects of the Indian economy and see many opportunities to grow our core operating profit in a risk-calibrated manner. We will continue to focus on our objective of catering to all the banking and financial needs of the customer with a focus on risk and reward. Our ecosystem based approach and creation of multi-functional teams has helped in nurturing relationships and offering the entire bouquet of services of the Bank to customers. We continue to be guided by the twin principles of “One Bank, One RoE”, emphasising the goal of maximizing our share of target market across all products and services and “Fair to Customer, Fair to Bank”, emphasising the need to deliver fair value to customers while creating value for shareholders. We remain focused on delivering consistent and predictable returns to our shareholders.

With this, I conclude my opening remarks. I will be happy to take your questions.

Moderator:

Thank you very much, sir. We will now begin the Q&A session with Mr. Batra and Mr. Jha. Since today’s announcement is on the Bank’s Q4 results, we would like to request you to ask questions, which are only related to the Bank’s financial performance. If you have any other query, please write to the Corporate Communications team separately.

The first question is from Abhishek Kothari from CNBC TV18. Please go ahead.

Abhishek Kothari:

The net interest margin and the return on assets has been at all-time high in this quarter. Now, in a rising interest rate scenario, do you see further head room or improvement chances for your net interest margin and is ROE sustainable at these levels?

Sandeep Batra:

Abhishek, I think it’s good to look at our annual numbers. You had anyway talked about rising interest scenarios. There are many variables out there. So, while as a Bank, we will continue to

remain focused on our risk calibrated operating profit, these numbers, it's better to look at from an annual basis.

Abhishek Kothari:

Okay, now if I take a look at the loan growth largely led by the retail portfolio, corporate loan growth remains lower than your overall portfolio growth. So what is your expectation in terms of corporate loan growth coming back or project loans coming back to the industry, as well as to your Bank?

Sandeep Batra:

Abhishek, I think our approach has been always and we've been saying this consistently that we will focus on our risk calibrated operating profits. We have got guardrails in which we lend, whether it is corporates, wholesale, project finance, or retail, anything which comes within that framework, we are happy to do this. We do not target growth rates of assets.

Abhishek Kothari:

Okay. You have had provisions being made in this quarter again, a prudent provision of around Rs. 1,000 crore. Any particular reason why this was made?

Sandeep Batra:

No, there is no particular reason as such. We thought from a prudent basis, given a bit of an uncertainty in the environment, it is good to make some provision.

Moderator:

The next question is from Vishwanath Nair from BloombergQuint. Please go ahead.

Vishwanath Nair:

First question is with regard to the quarterly additions to the gross NPA. I know it's a very small bump of about Rs. 200 crore, and most of it is actually coming from retail. So just wanted to get a sense as to is this the effects of the pandemic playing out? Are these already accounts that had been identified as weak and probably now you are recognizing them? What's happening there?

Sandeep Batra:

No, there is nothing specific to call out here, Vishwanath. Really, there is no specific thing to call out here.

Vishwanath Nair:

The second question was with regard to the credit card guidelines that the Reserve Bank has put out. You mentioned the Amazon ICICI credit card and how many cards you have issued there, but the new guidelines require that co-branded credit cards have limited data sharing and actually the partner doesn't get any transaction data of the customer. I'm just trying to gauge whether that impacts anything as far as this card is concerned?

Sandeep Batra:

Nothing significant from our side because we anyway don't share transaction data with our co-branded partners.

Vishwanath Nair:

I'm just trying to understand what the premium for the partner is then?

Sandeep Batra:

Well, I think then you'll have to talk to the partner.

Moderator:

The next question is from Saloni Shukla from Economic Times. Please go ahead.

Saloni Shukla:

Sir, just wanted to understand you closed the last fiscal year on a strong footing. But we are still in uncertain territory considering the geopolitical issues and considering our economic growth as well and bank is a mirror to what happens in the economy. So, going forward, what would be the focus area because you keep on mentioning that there will be a risk calibrated approach, but if you could just outline the focus areas going forward from here especially in this uncertain environment.

Sandeep Batra:

Saloni, I think you've answered the question yourself. You mentioned that our approach has been about focusing on risk calibrated growth. It will continue to remain so. So, wherever we see risk coming up, we will exercise restraint, and if we see opportunities, we'll be more than happy to do that as long as they are meeting our guardrails. So, that's been a consistent strategy that we've talking about for many years now--in good times, bad times including during the period when we

had COVID. But things are certainly much better than what they were two years back. So, the strategy remains unchanged, Saloni.

Saloni Shukla:

I have one more question on the retail side. I mean it has a really strong growth and the business loans as well. So will this continue to be the focus area because as of now, there is no sign of private capex on the ground. So, even if that comes, you feel that retail and these small business loans will be the focus area for the Bank?

Sandeep Batra:

Saloni, as I mentioned, we will focus on risk calibrated profits and people who meet those guardrails in retail, wholesale, SME, we will continue to service them. We do not give growth targets of assets.

Moderator:

Thank you. The next question is from Mayur Shetty from Times of India. Please go ahead.

Mayur Shetty:

I want to know what share of your loan book is the floating rate and how much of that is linked to MCLR? Do you have the numbers on that?

Rakesh Jha:

About 70% of the domestic loans are linked to floating rate. Within that, about 46% are external benchmark linked and 24% linked to internal benchmark like MCLR and others.

Mayur Shetty:

I had one more question on your COVID provisions. How long do you plan to hold onto that?

Sandeep Batra:

Bit of an uncertainty right now because you don't know. We will make an assessment every quarter about the same. As I mentioned in the call, we have made another Rs 1000 odd crore of provision during the current quarter on a contingency basis. So, the contingency and COVID provisions combined are now about a little over Rs. 7,000 crore.

Mayur Shetty:

So, is the COVID provision part of the contingency provision?

Sandeep Batra:

Yes it is. The unutilized portion is about Rs. 6,425 crore.

Moderator:

The next question is from Hamsini Karthik from the Hindu Business Line. Please go ahead.

Hamsini Karthik:

So. This quarter you have a capital adequacy of over 19% and I think this is the highest that you've maintained. In terms of asset quality, the Bank is at a much comfortable position than where we were about 4-5 years back. The gap between ICICI Bank and its competitor is going to grow multifold after the merger, which maybe about two years from now. So, given the position that you are in, would you be looking at any inorganic opportunities for growth to bridge the gap? Or, would you be okay just going with this gap? You were narrowing the gap very nicely in the last 2-3 years and my question comes from that perspective.

Sandeep Batra:

As far as we are concerned, we are very much focused on growing organically. There are opportunities sometimes in buyout of certain portfolios and assets, which we have been doing. That's an area that we are looking at, and we are happy to be focused on the growth the way we are doing at this point of time, which is within the guardrails of risk and compliance.

Hamsini Karthik:

Okay, and which would be the pockets where you are comfortable picking portfolios or you've been picking portfolios up until now?

Sandeep Batra:

We pick up some small amounts here and there. So, that keeps on happening.

Hamsini Karthik:

Okay, but something significant that's going to accelerate your book? Or something like that you are looking at? Or, 100% of the growth will remain organic?

Sandeep Batra:

At this point of time, the focus continues to be on organic.

Moderator:

Thank you. The next question is from Ashish Agashe from PTI. Please go ahead.

Ashish Agashe:

You made Rs. 1,000 crore contingency provision. If you can please elaborate when you say that this is as per the ongoing environment, so this provision is coming over Rs. 6,400 crore, which you are carrying almost for two years now. So, what risks do you see emerging? Is it something as a result of the geopolitical tensions or is there something more like it's basically a hit on your bottom line. So, that's a big call, which are taking. So, if you can please elaborate on that, sir?

Sandeep Batra:

I talked about we had a COVID related provision of Rs. 6,425 crore. So we have made another Rs. 1,025 crore on a prudent basis. These totals up to now Rs. 7,450 crore. The reason I think you yourself alluded to is the uncertainties around the geopolitical environment and consequential inflation, which could be there. So, this is more on a prudent basis. As I did mention, while we continue to remain optimistic about the growth of the Indian economy, but as a banker, it's always good to be prudent.

Ashish Agashe:

Okay, sir. So, sir, can you quantify what is your exposure to sectors or to companies, which are generally exposed to this risk of inflation as a result of the geopolitical tension?

Sandeep Batra:

I think the better way to look at it is the rating profile and mix. Things change pretty fast, so I don't want to get into that. I think the rating profile of companies when we assess them at a particular level tells their ability to absorb uncertainties itself. So, if you have seen, steadily our A- and above has been increasing. It continues to be stable and at over 70%. As I have said, we are happy with

the quality of book that we have maintained, and we do hope things become better from an external environment perspective.

Ashish Agashe:

Okay, and my second question, sir-- we have been reading about generally that the capacity utilization figures for the industry are going up through the surveys. If you can provide some color on that. You are ending the year with a 10% wholesale book growth, but what sort of conversations you are witnessing on greenfield, brownfield sort of project or generally term loan demand in general going forward?

Sandeep Batra:

Ashish, we don't give out specific customer information. As I said, we continue to remain optimistic on the overall growth happening in India. There are many places the growth is happening and digitization is also one of them. There could be capex also. So, as and when, when we find projects and opportunities out, we are more than happy to lend in those spaces.

Moderator:

Thank you. The next question is from Surabhi Prasad from The Hindu Business Line. Please go ahead;

Surabhi Prasad:

Just wanted to understand that on the credit card business, how is it going and we're seeing that Citi buyout by Axis Bank is going to impact the sector and your operations, and also Bank has approved capital raise today. So, if you could throw some light on that as well?

Sandeep Batra:

As I mentioned, our credit card business has been doing pretty well, and we talked about the growth in spends in my earlier statement. Our spends grew by about 77% year-on-year driven by higher activation. We will continue to remain focused there. We are focused on our business clearly and our customers, and we want to provide the best possible experience to them. As I did talk about, we have launched a new card, through a tie-up with Emirates. We do believe it's a great offering. Credit card, as you are aware, is an important component of our overall strategy and we will continue to remain invested in it. The second question was on capital. That's more an enabling provision from that, which we take every year.

Moderator:

Thank you. The next question is from Gopika Gopakumar from Mint. Please go ahead.

Gopika Gopakumar:

Sir, this is with regards to the certain appointments made this quarter. I believe Vishakha Mulye has stepped down and Rakesh Jha will be joining the board. So, could you tell us who would be taking her place and what would be Mr. Jha's role right now? He's a full-time director, but will he also be part of the management or he will be just a board member?

Sandeep Batra:

Okay, Vishakha moves on and I wish her all the best. She was heading wholesale banking. Anup Bagchi, who is on the board, will look after wholesale banking and Rakesh will look after retail banking. So, those are the changes that are going to be effected.

Moderator:

Thank you. Ladies and gentlemen, that was the last question. This brings the conference call to an end. On behalf of ICICI Bank, we thank you all for joining us. You may now disconnect your lines.