ICICI Bank Limited

Earnings conference call - Quarter ended September 30, 2025 (Q2-2026)

October 18, 2025

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Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Limited Q2-FY2026 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sandeep Bakhshi – Managing Director and Chief Executive Officer of ICICI Bank. Thank you, and over to you, sir.

Mr. Bakhshi's opening remarks

Thank you. Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q2 of FY2026. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

At ICICI Bank, our strategic focus continues to be on growing profit before tax excluding treasury through the 360-degree customer centric approach and by serving opportunities across ecosystems and micromarkets. We continue to operate within the framework of our values to strengthen our franchise. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities with a focus on simplicity and operational resilience, are key drivers for our risk calibrated profitable growth.

The profit before tax excluding treasury grew by 9.1% year-on-year to 161.64 billion Rupees in this quarter. The core operating profit increased by 6.5% year-on-year to 170.78 billion Rupees in this quarter. The profit after tax grew by 5.2% year-on-year to 123.59 billion Rupees in this quarter.

Average deposits grew by 9.1% year-on-year and 1.6% sequentially and average current and savings account deposits grew by 9.7% year-on-year and 2.7% sequentially in this quarter. Total deposits grew by 7.7% year-on-year and 0.3% sequentially at September 30, 2025. The Bank's average liquidity coverage ratio for the quarter was about 127%.

The domestic loan portfolio grew by 10.6% year-on-year. The quarter-on-quarter growth in domestic loan portfolio was 3.3% at September 30, 2025 compared to 1.5% at June 30, 2025. The retail loan portfolio grew by 6.6% year-on-year and 2.6% sequentially. Including non-fund based outstanding, the retail portfolio was 42.9% of the total portfolio. The rural portfolio declined by 1.3% year-on-year and grew by 0.8% sequentially. The business banking portfolio grew by 24.8% year-on-year and 6.5% sequentially. The domestic corporate portfolio grew by 3.5% year-on-year and 1.0% sequentially. The overall loan portfolio including the international branches portfolio grew by 10.3% year-on-year and 3.2% sequentially at September 30, 2025. The overseas loan portfolio was 2.3% of the overall loan book at September 30, 2025.

The net NPA ratio was 0.39% at September 30, 2025 compared to 0.41% at June 30, 2025 and 0.42% at September 30, 2024. During the quarter, there were net additions of 13.86 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 9.14 billion Rupees or 5.4% of core operating profit and 0.26% of average advances. The provisioning coverage ratio on non-performing loans was 75.0% at September 30, 2025. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 0.9% of total advances at September 30, 2025.

The capital position of the Bank continued to be strong with a CET-1 ratio of 16.35% and total capital adequacy ratio of 17.00% at September 30, 2025, including profits for H1-2026.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth and grow market share across key segments. We remain focused on maintaining a strong balance sheet, prudent provisioning and healthy levels of capital while delivering sustainable and predictable returns to our shareholders.

I now hand the call over to Anindya.

Anindya's opening remarks

Thank you, Sandeep. I will talk about loan growth, credit quality, P&L details and the performance of subsidiaries.

A. Loan growth

Sandeep covered the loan growth across various segments. Coming to the growth across retail products, the mortgage portfolio grew by 9.9% year-on-year and 2.8% sequentially. Auto loans grew by 1.4% year-on-year and remained flat sequentially. The commercial vehicles and equipment portfolio grew by 6.4% year-on-year and 0.5% sequentially. Personal loans declined by 0.7% year-on-year and grew by 1.4% sequentially. The credit card portfolio grew by 6.4% year-on-year and 8.4% sequentially.

Within the corporate portfolio:

- The total outstanding to NBFCs and HFCs was 794.33 billion Rupees at September 30, 2025 compared to 874.17 billion Rupees at June 30, 2025. The total outstanding loans to NBFCs and HFCs were about 4.4% of our advances at September 30, 2025.

- The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 635.83 billion Rupees at September 30, 2025 compared to 628.33 billion Rupees at June 30, 2025. The builder loan portfolio was 4.1% of our total loan portfolio. Our portfolio largely comprises well-established builders and this is also reflected in the sequential increase in the portfolio. About 1.3% of the builder portfolio at September 30, 2025 was either rated BB and below internally or was classified as non-performing.

B. Credit quality

The gross NPA additions were 50.34 billion Rupees in the current quarter compared to 62.45 billion Rupees in the previous quarter and 50.73 billion Rupees in Q2 of last year. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 36.48 billion Rupees in the current quarter compared to 32.11 billion Rupees in the previous quarter and 33.19 billion Rupees in Q2 of last year. The net additions to gross NPAs were 13.86 billion Rupees in the current quarter compared to 30.34 billion Rupees in the previous quarter and 17.54 billion Rupees in Q2 of last year.

The gross NPA additions from the retail and rural portfolios were 40.49 billion Rupees in the current quarter compared to 51.93 billion Rupees in the previous quarter and 43.41 billion Rupees in Q2 of last year. We typically see higher NPA additions from the kisan credit card portfolio in the first and third quarter of a fiscal year. Recoveries and upgrades from the retail and rural portfolios were 26.10 billion Rupees in the current quarter compared to 25.25 billion Rupees in the previous quarter and 25.92 billion Rupees in Q2 of last year. The net additions to gross NPAs in the retail and rural portfolios were 14.39 billion Rupees in the current quarter compared to 26.68 billion Rupees in the previous quarter and 17.49 billion Rupees in Q2 of last year.

The gross NPA additions from the corporate and business banking portfolios were 9.85 billion Rupees in the current quarter compared to 10.52 billion Rupees in the previous quarter and 7.32 billion Rupees in Q2 of last year. Recoveries and upgrades from the corporate and business banking portfolios were 10.38 billion Rupees in the current quarter compared to 6.86 Rupees in the previous quarter and 7.27 billion Rupees in Q2 of last year. There were net deletions of gross NPAs of 0.53 billion Rupees in the current quarter in the corporate and business banking portfolios compared to net additions of 3.66 billion Rupees in the previous quarter and 0.05 billion Rupees in Q2 of last year.

The gross NPAs written-off during the quarter were 22.63 billion Rupees. Further, there was sale of NPAs of 0.06 billion Rupees mainly for cash in the current quarter.

The non-fund based outstanding to borrowers classified as non-performing declined to 23.22 billion Rupees as of September 30, 2025 from 32.98 billion Rupees as of June 30, 2025 and 33.82 billion Rupees as of September 30, 2024.

The loans and non-fund based outstanding to performing corporate borrowers rated BB and below increased to 36.61 billion Rupees at September 30, 2025 from 29.95 billion Rupees at June 30, 2025 and 33.86 billion Rupees at September 30, 2024. This portfolio was about 0.3% of our advances at September 30, 2025. The increase during the quarter was due to upgrade of certain borrowers having non-fund outstanding from non-performing to performing status.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 16.24 billion Rupees or about 0.1% of the total loan portfolio at September 30, 2025 from 17.88 billion Rupees at June 30, 2025 and 25.46 billion Rupees at September 30, 2024. Of the total fund based outstanding under resolution at September 30, 2025, 14.84 billion Rupees was from the retail and rural portfolios and 1.40 billion Rupees was from the corporate and business banking portfolios.

At the end of September, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 226.20 billion Rupees or 1.6% of loans. This includes the contingency provisions of 131.00 billion Rupees as well as general provision on standard assets, provisions held for non fund based outstanding to borrowers classified as non performing, fund and non-fund based outstanding to standard borrowers under resolution and the BB and below portfolio.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 7.4% year-on-year to 215.29 billion Rupees in this quarter. The net interest income was 216.35 billion Rupees in the previous quarter which included interest on tax refund of 3.61 billion Rupees. The net interest margin was 4.30% in this quarter compared to 4.34% in the previous quarter and 4.27% in Q2 of last year. The benefit of interest on tax refund was nil in the current quarter compared to 7 basis points in the previous quarter and nil in Q2 of last year. The margins for the quarter reflect the benefit from the reduction in deposit rates and cost of borrowings as well as the impact of repricing of external benchmark linked loans and investments.

Of the total domestic loans, interest rates on about 55% of the loans are linked to the repo rate and other external benchmarks, 14% to MCLR and other older benchmarks and the remaining 31% of loans have fixed interest rates.

The domestic NIM was 4.37% in this quarter compared to 4.40% in the previous quarter and 4.34% in Q2 of last year. The cost of deposits was 4.64% in this quarter compared to 4.85% in the previous quarter and 4.88% in Q2 of last year.

Non-interest income, excluding treasury, grew by 13.2% year-on-year and 1.3% sequentially to 73.56 billion Rupees in Q2 of FY2026.

- Fee income increased by 10.1% year-on-year and 10.0% sequentially to 64.91 billion Rupees in this quarter. Fees from retail, rural and business banking customers constituted about 78% of the total fees in this quarter.

- Dividend income from subsidiaries was 8.10 billion Rupees in this quarter compared to 13.36 billion Rupees in the previous quarter and 5.41 billion Rupees in Q2 of last year. The timing of receipt of final dividend depends on Annual General Meeting of the respective subsidiaries which are generally held in first quarter of a fiscal year. The year-on-year increase in dividend income was primarily due to receipt of interim dividend from ICICI Securities and ICICI Venture.

On Costs: The Bank's operating expenses increased by 12.4% year-on-year and 3.6% sequentially in this quarter. Employee expenses increased by 5.0% year-on-year and declined by 8.5% sequentially in this quarter mainly due to lower provisioning requirements for retiral benefits. Non-employee expenses increased by 17.3% year-on-year and 12.2% sequentially in this quarter. The year-on-year and sequential increase in non-employee expenses reflects retail business-related expenses and festive season related marketing spends. Our branch count has increased by 263 in H1 of the current year. We had 7,246 branches as of September 30, 2025. The technology expenses were about 11% of our operating expenses in H1 of the current year.

The total provisions during the quarter were 9.14 billion Rupees or 5.4% of core operating profit and 0.26% of average advances compared to the provisions of 18.15 billion Rupees in Q1 of 2026 and 12.33 billion Rupees in Q2 of last year. The sequential decline in provisions reflects the impact of KCC seasonality and healthy asset quality across segments. The annualised credit cost was about 40 basis points in H1 of the current year similar to that in H1 of last year.

The profit before tax excluding treasury grew by 9.1% year-on-year and 3.0% sequentially to 161.64 billion Rupees in this quarter.

Treasury income were 2.20 billion Rupees in Q2 of current year as compared to 12.41 billion Rupees in Q1 of current year and 6.80 billion Rupees in Q2 of the previous year. The lower treasury income during this quarter primarily reflects the increase in yields on fixed income securities.

The tax expense was 40.25 billion Rupees in this quarter compared to 37.44 billion Rupees in the corresponding quarter last year. The profit after tax grew by 5.2% year-on-year to 123.59 billion Rupees in this quarter.

D. Consolidated results

The consolidated profit after tax grew by 3.2% year-on-year to 133.57 billion Rupees in this quarter.

The details of the financial performance of key subsidiaries are covered in slides 33 to 34 and 53 to 58 in the investor presentation.

The annualised premium equivalent of ICICI Life was 42.86 billion Rupees in H1 of this year compared to 44.67 billion Rupees in H1 of last year. The value of new business was 10.49 billion Rupees in H1 of this year compared to 10.58 billion Rupees in H1 of last year. The value of new business margin was 24.5% in H1 of this year compared to 22.8% in FY2025 and 23.7% in H1 of last year. The profit after tax of ICICI Life was 6.01 billion Rupees in H1 of this year compared to 4.77 billion Rupees in H1 of last year and 2.99 billion Rupees in this quarter compared to 2.52 billion Rupees in Q2 of last year.

Gross Direct Premium Income of ICICI General was 65.96 billion Rupees in this quarter compared to 67.21 billion Rupees in Q2 of last year. The combined ratio stood at 105.1% in this quarter compared to 104.5% in Q2 of last year. Excluding the impact of CAT losses of 0.73 billion Rupees in this quarter and 0.94 billion Rupees in Q2 of last year, the Combined ratio was 103.8% and 102.6% respectively. The profit after tax increased to 8.20 billion Rupees in this quarter compared to 6.94 billion Rupees in Q2 of last year. With effect from October 1, 2024, long-term products are accounted on 1/n basis, as mandated by IRDAI, hence Q2 numbers are not fully comparable with prior periods.

The profit after tax of ICICI AMC, as per Ind AS, was 8.35 billion Rupees in this quarter.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 4.25 billion Rupees in this quarter compared to 5.29 billion Rupees in Q2 of last year.

ICICI Bank Canada had a profit after tax of 6.3 million Canadian dollars in this quarter compared to 19.1 million Canadian dollars in Q2 of last year.

ICICI Bank UK had a profit after tax of 6.4 million US dollars in this quarter compared to 8.0 million US dollars in Q2 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 2.03 billion Rupees in the current quarter compared to 1.83 billion Rupees in Q2 of last year.

With this, we conclude our opening remarks and we will now be happy to take your questions.

Moderator:
Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania:
Hi, congratulations. My first question was on growth. Do you already see green shoots on growth? Do you see growth accelerating after so many measures taken by the government? And, will we reach like close to mid-teens by the end of the year? Is that an assessment we can make right now? That's my first question.

Anindya Banerjee:
So, I think whatever we have seen in the quarter, certainly, growth has picked up. So, if you see the sequential growth in Q2 across all the retail portfolios certainly has picked up, business banking growth continues to be strong, and we hope that these trends will sustain.

We are positive on the growth outlook. We would not really be giving a specific year-end loan growth number. But certainly, both in terms of what is happening in the market and our own continuing investment in distribution and allocating capacity to the higher growth opportunities, that continues, and we continue to focus on that.

Mahrukh Adajania:

And would you see corporate picking up? Any comments on the corporate loan growth environment?

Anindya Banerjee:

I think corporate India is well funded. They have strong balance sheets, and have access to many forms of funding. So, banks are just one of the areas that they look at. And we will take it as it comes. We are focused on the overall risk-calibrated PPOP journey, and that is how we will look at it.

We are very active in the corporate space, but that may reflect more in our transaction banking income or the flows through current accounts, etc., and not necessarily in terms of loan growth per se.

Mahrukh Adajania:

Got it. And my next question is on margins that they have held up pretty well compared to expectations. So, this is the bottom, right? And from here on, do they stay stable without rate cuts or they can actually improve?

Anindya Banerjee:

So, I would say that you are right. Margins have done better than expectations, of course, quarter-on-quarter. But I think broadly through the cycle where we are now after the large part of the rate cuts have played out, they have done well, which has been aided by the systemic liquidity and the continued healthy funding profile as well as, I would say, the discipline on pricing that we have had consistently over several years.

From here on, our expectation is that margins should be more or less range-bound. We don't expect any major movements either way.

Mahrukh Adajania:

Got it. But there would still be deposit repricing left, right?

Anindya Banerjee:

It will move from quarter to quarter. So, if we look at Q3, there will be some deposit repricing. There will also be the full CRR reduction, which will take effect. At the same time, it will be a KCC quarter, as we call it. So, the level of non-accruals will also go up. And of course, there are continuing competitive dynamics in the market. So, all taken together, I would say that over the next couple of quarters, we see it being range-bound.

Mahrukh Adajania:

Thanks a lot. Thank you.

Moderator:

Thank you. Next question is from the line of Harsh Modi from JPMorgan. Please go ahead.

Harsh Modi:

Hi. Thanks for this and fantastic set of numbers, congratulations. The question is on CASA. Your CASA market share has been improving, if I look at on the average balance basis. Could you talk a bit about how much of visibility do you have in this continued market share gains on CASA? And what are the 2 or 3 areas where you expect relative advantage to sustain over, let's say, next 12, 18 months?

Anindya Banerjee:

I think where the CASA growth has improved from over the last few years because these things really take root over a period of time, I would say 3 things: One is the steady expansion in distribution over a period of time. Second, I think our digital platforms do help. Certainly, they are something that attracts customers to the bank and offers convenience to the customers and encourages flows through the bank. And third, there are specific segments that we have been focusing on over a period of time. I think business banking is a great example, where while the loan growth is visible, the CASA growth also in business banking has been a contributor.

Going forward, I think we certainly see the whole transaction banking space as something where we can do more given our distribution and our platforms. In the corporate space, where we have corporate relationships, we can further deepen the synergy of what we are doing on the retail side across both the deposit side and the loan side in the corporate ecosystem.

And the synergy with the ICICI Direct through the 3-in-1 platform is another area where we could do a lot more. So, these are some of the levers that we have, which we believe will sustain the CASA growth going forward, which would be our objective.

Harsh Modi:
Yes, makes sense, especially for SME liability. The second bit is on your capital adequacy, 16.1%, CET1 where if you include the profits. How do we think about the payout ratios with such a solid stock and flow of CET1? Thank you.

Anindya Banerjee:
So, including profits at September, it was 16.35%. I think this is kind of currently the level at which most of the large private sector banks, some of them are there, some may be a little higher. So, no specific plan on payouts. Our view would be to maintain a strong balance sheet at all times and to leverage the capital for growth. That is what we will try to do.

Harsh Modi:

Thank you.

Moderator:

Thank you. Next question is from the line of Anand Swaminathan from Bank of America. Please go ahead.

Anand Swaminathan:

Hello, thank you. Sir, a couple of questions. Sandeep, first question to you, are you in a position to kind of give us any colour on your intention to continue for another term? I think investors kind of have been looking for some clarity around that. Any colour on that would be great.

Number two, in terms of the trade-off between growth and profitability, we have now kind of sustainably developed the 30-40 bps ROA difference versus even the next best peer. Are we kind of giving up some growth as part of it? Is there a scenario where we could accept a 10-20 bps lower ROAs and go for higher growth? And where are we in that thought process now? Any colour would be great.

Anindya Banerjee:

So, I will take both the questions, Anand. As far as the position of CEO is concerned, you are aware that there is still a year to go and the Board will take a view and decide and disclosure will be made at the appropriate time.

On the growth trade-off point, we don't really look at it as a trade-off between growth and profitability. Our aim is and what we operate to is the risk-adjusted PPOP and that has to be done in a framework which is sustainable, and we have to have an appropriate framework for pricing and then we can always tactically do trade-offs, keeping the overall opportunity in mind.

But by and large, we don't think about it in terms of a trade-off between growth and profitability. We think about it in terms of a sustainable sort of accretion to the PPOP over a period of time. And the ROA is more of an outcome. We have never targeted that we will have a 2.3% ROA or something like that. It's basically been an outcome of the way the business has evolved.

Anand Swaminathan:
Sure. It makes sense. So, in your kind of mind, you are not leaving any growth on the table to achieve these ROAs. That's the point you are making.

Anindya Banerjee:
I am saying I don't think we are leaving any long-term PPOP growth on the table. We could always do a little bit more. Obviously, we certainly believe that we are not doing that as much as the franchise can deliver and it should deliver more over a period of time. But we would rather think of it in terms of the risk-adjusted PPOP opportunity, rather than loan growth per se.

Anand Swaminathan:
Sure. Makes sense. Thanks, sir. Thanks a lot.

Moderator:
Thank you. We will take our next question from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah:
Hi. again say, on the growth side, but particularly looking at the various segments of retail like, say, vehicle, obviously, the industry-wide volumes were down, but with the GST cuts, we have seen the momentum. So, should we expect any uptick out there on the vehicle loans, how has been the initial maybe 15, 20 days of feedback?

Plus personal loans, are we comfortable on the overall credit cost? When should we start to see the growth out there? It's been just flat on both year-on-year and a quarter-on-quarter basis. And even on the mortgages, obviously, it's competitive and not PPOP-accretive to an extent, but how should we look at the overall mortgage growth going forward?

Anindya Banerjee:
So, as I said, overall, if you see the loan growth has picked up from 1% sequentially in the previous quarter to 3% in this quarter. And we are positive on growth, both in terms of the market opportunity and the way we are continuing to gear up our distribution and allocate resources to growth segments and growth markets. So, we would hope to see a growth in these segments.

As far as the question on personal loans is concerned, if you look at the overall retail NPL, the additions have declined, both year-on-year and sequentially despite the growth in the balance sheet. And we do see, I think, healthy asset quality across all the segments. As we have said in the past, we had taken a number of corrective actions on personal loans in 2022-2023 and the cohorts of origination post that, we are quite happy with the performance.

So, we are increasing our disbursements there. It may take a little while to show up in book growth because obviously, there's a runoff as well. But in terms of doing more, we are quite happy to do, and we are moving on that front.

Kunal Shah:
And then on the deposit side, so like LDRs have been expanding past couple of quarters, almost like 400-odd basis points kind of an expansion in the LDR. The pace on loan growth still seems to be higher than the deposit growth. It has helped to manage margins as well.

How would we look at it from here on, maybe the pressure on the repricing on the margins would be relatively low now at almost 87-plus LDR. How should we see this ratio settling? So, maybe on the term deposit side, would we garner more of the term deposits, just to make sure that it is in line with the loan growth from here on?

Anindya Banerjee:
So, I don't think that it's really right to compare the September LDR with the June LDR. First of all, LDR is just a quarter-end measure, whereas what happens on the balance sheet depends on what happens on an average basis.

I think for most of the large banks, to the extent I have seen, LDRs would have gone up in Q2 because most of the large banks would have seen relatively lower growth and good deposit inflows and been carrying higher liquidity at the end of Q1. So, I think LDRs have expanded across the system and at overall system level as well. In fact, I would think that as the CRR cuts take effect in Q3, LDRs, the natural corollary would be that LDRs will go up further, because that is what would happen when liquidity gets released.
From our perspective, we are quite comfortable where we are. I think our retail deposit growth in term of CASA is pretty good. We are quite comfortable with the current levels, and we have ability to grow further.

On the wholesale side, we do optimize between various types of funding and that's the way we look at it. I think the current levels of LDR, may be even slightly higher with a lower CRR requirement, are quite sustainable.

Kunal Shah:
And lastly, in terms of the RBI directions, any initial commentary in terms of the impact which we could see on account of ECL or maybe the risk weight benefit

which would come in, say, in the various rating of the corporates plus the home loans and the MSME?

Anindya Banerjee:

On the capital side these segments will give a benefit. There are other segments where risk weights are being proposed to be increased where that would take away some of that benefit. But net-net, I guess, for most banks, it would be a positive.

The guideline is still open for comments. So, we will have to wait to see what is the final guideline that RBI issues after whatever submissions they receive. Similar is the case with ECL. It's again open for comment, and we will have to see what final guidelines come out.

On ECL as far as the transition point is concerned, I think given the level of provisioning that we hold on the balance sheet, we should be okay. On what credit costs will look like under an ECL regime on an ongoing basis is something we have to still work out and assess.

Kunal Shah:

Got it. So, contingency would be utilized at that point in time?

Anindya Banerjee:

I think we have to just say that given the overall, because we also provide, for example, on a pretty accelerated basis against NPLs. We have other provisions as well, and there is the contingency provisions. So, all of it we will have to reassess at that point in time, given the totality of the provisioning on the balance sheet, and what the base ECL plus prudential floor suggest under the draft guidelines, we don't expect any impact as such.

Kunal Shah:

Sure. Got it. Got it. Thanks and all the best.

Moderator:

Next question is from the line of Rikin Shah from IIFL Capital. Please go ahead.

Rikin Shah:

Thanks for the opportunity. Few ones. First on opex, with festival-related non-salary expenses coming in 2Q this year, should one expect a sequential decline in opex in the 3rd Quarter given that these expenses could have been front-ended?

Anindya Banerjee:

So, I guess in that line item, you see a decline. I am not sure I want to say that there will be a decline in overall opex, because we continue to invest, and we are quite focused on the growth of the business. I don't expect sequential increases of the kind that we have seen in this quarter.

Rikin Shah:

Got it. Second is on retail asset quality. Until now, you have been saying that it has been stable for us. But if we look at the slippages, in absolute terms, they are down almost 7% Y-o-Y when your rural plus retail book has grown 6%. So, clearly, a huge delta. So, are we in a position to now say that the retail slippage or the slippages or the overall asset quality environment has started to improve and not only just stabilize?

Anindya Banerjee:

So, I guess, as a starting point is that we don't think it was particularly bad at any point of time. I mean, for the last several years, banks have been reporting pretty good asset quality. If I look at the secured retail, I think it has been pretty stable, maybe getting marginally better for the last, I would say, 8 or 9 quarters.

We did have some spike in the unsecured in the personal loans and cards. And there the regulator took several actions, and I think individual banks like us would also have taken action, where I think that the benefit of those actions is starting to show up, which is why we are now growing those portfolios again.

Rikin Shah:
Got it. And lastly, for one of the peer banks, we saw some PSL classification problem on the crop loans. Just wanted to understand how do you track the end use of the crop loans that you give out? And has there been any discussion around this on your portfolio as well with the regulator?

Anindya Banerjee:
We have our processes for the PSL classification and those get reviewed, regulator can always examine and have a view, but nothing specific to call out at this point in time.

Rikin Shah:
All right. Perfect. Thanks. And again, wishing you and the broader team, Happy Diwali.

Anindya Banerjee:
Thank you so much.

Moderator:
Next question is from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer:

Congrats on a good set of numbers. And Happy Diwali. So, firstly, just on NIM. Anindya, why do you say they will be largely range-bound for the next 2 quarters? I understand next quarter, you are talking about the interest reversals in kisan credit card, but why shouldn't the NIMs improve consistently for the next 4 to 6 quarters?

Anindya Banerjee:

I think I would say, we have navigated the cycle reasonably well and the NIMs have come in at this level. Over the next few quarters, we will see, there are too many moving parts in terms of monetary policy, the competitive dynamic, loan mix and so on. So, we will see it as it comes. We have not really taken a view on next year. For the next couple of quarters, it should be range-bound.

Piran Engineer:

Let me harp on this in another way. Out of your INR 9.5 lakh crore term deposit book, how much was acquired in the last 6 months?

Anindya Banerjee:

We don't really give data of that kind. On the NIM question, we have given our perspective.

Piran Engineer:

Fair enough. Secondly, just moving on to this provision for retiral benefits. This was because of higher G-Sec yields or what caused this sudden drop?

Anindya Banerjee:

So, if you look at it every year, there is some decline from Q1 to Q2 because in Q1, when the increments etc. are given, the gratuity-related provisions and so on, we true them up. And we also have certain employees who are on pensions, mainly retired colleagues who were earlier working with some of the acquired entities. And there, they are entitled to dearness allowance. And this year, there has been no increase in the dearness allowance. So, those would be the 2 main factors.

Piran Engineer:
So, then if I have to think of modeling this going forward, clearly, 2Q should not be the current base to model growth.

Moderator:
Piran, I am sorry, your voice was breaking.

Anindya Banerjee:
But we don't have a sense of what kind of increments etc. will happen. We can't really model it for you. But as I said, over the next couple of quarters, I don't expect overall opex to increase at the pace at which it has in the current quarter.

Piran Engineer:
Got it. Fair enough. And just lastly, getting back to Rikin's question on slippages. Now slippages are down meaningfully even if you adjust for the KCC portfolio, is all of that improvement attributable to PLCC or are we seeing improvement in other retail segments also?

Anindya Banerjee:
So, we have given, first of all, the breakup between retail and rural and corporate and business banking. So, there is a small net dilution in corporate and business banking. But I would say you are right across most of the other retail segments.

Piran Engineer:
No, I am referring only to retail and rural, Anindya. So, it's about INR 1,200 crore improvement...

Anindya Banerjee:

In most of the other retail portfolios also there has been some improvement sequentially.

Piran Engineer:

Got it. that answers all my questions. Thank you. Wish you Happy Diwali. And also, just one request and I have made this in the past, if you could please do something about the Saturday results. It just gets too much for all of us. And I understand you all want to keep your data secret and no leakage and all of that. Maybe if you could release results on Friday night and then 9 a.m. on Saturday keep a con-call, that just helps us a lot. But please, just try to look into it.

Moderator:

Thank you. Next question is from the line of Chintan Joshi in Autonomous. Please go ahead.

Chintan Joshi:

Can I come back on the capital points? Just the credit risk reduction seems substantial, you highlighted it's a net positive. Your CET1 ratios are also very high. I understand that's where the larger banks operate. But isn't there an opportunity here to grow at the pace you want to grow or take the opportunity that is on the table and yet improve payouts?

Because from our vantage point, the top 3 banks in the system are swimming in capital. Just want to get some thoughts on how this might play out as these guidances and the draft reports become more concrete?

Anindya Banerjee:

So, we will take a view at that point in time. This is any way going to kick in 1.5 years from now. And really a lot of it depends on what is the position of the balance sheet at that point in time, and which are the segments where we have seen growth. So, overall, capital is not constraining us from growing. We are continuing to focus on the kind of growth that we want.

Chintan Joshi:
Yes. In fact, your retained earnings is enough to grow already. On ECL, could you give us some colour? From your last submission, you said there is no impact for you. So, I am assuming there's no impact, including the other provisions you have on the balance sheet. So, you would assume that they will be utilized when you see no impact?

Anindya Banerjee:
I guess, it depends on what form the final guidelines take, but we have to look at the total provisions on the balance sheet in totality, including NPL and other provisions and we don't expect that there should be any impact.

Chintan Joshi:
So, it could even be positive because from what I can see, you have more than enough provisions on your balance sheet and they will come back into your CET1 if they are excessive. So, shouldn't this become almost CET1-accretive at some point?

Anindya Banerjee:
Yes. we will have to see. It's very difficult to say it now. In any case, this is something, again, which will really depend upon the balance sheet at the point of transition.

Chintan Joshi:
And then final point, you are 1 of the 2 large players in salaried accounts. How much of your salaried accounts come from the IT services area? There's so much

hype around AI. Just wondering if there are kind of unemployment in that section, how much would it impact you? How do you think about that?

Anindya Banerjee:

Not just for us for any bank with salaried accounts, the IT services sector and similar sectors would account for a good share of the salary accounts, because they are a good share of employment in the country, salaried employment in the country. So, far, we have not seen any impact.

Chintan Joshi:

Thank you.

Moderator:

Ladies and gentlemen, we will take that as a last question for today. I now hand the conference over to Management for closing comments. Over to you, sir.

Anindya Banerjee:

Thank you very much, and wish you all a very, very Happy Diwali. Thank you.

Moderator:

Thank you. On behalf of ICICI Bank, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.