Analyst call on April 27, 2024: Opening Remarks

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This release does not constitute an offer of securities.

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 Q4 of FY2024. Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhinek.

The Indian economy continues to remain resilient amidst international geopolitical tensions, with upward revision in the GDP growth estimate for first half of FY2025 by RBI, reflecting the consistent actions and initiatives of the policymakers.

At ICICI Bank, our strategic focus continues to be on growing our core operating profit less provisions, i.e., profit before tax excluding treasury through the 360-degree customer centric approach and by serving opportunities across ecosystems and micro markets. We continue to operate within our strategic framework to strengthen our franchise and expand our technology and digital offerings. Maintaining high standards of governance, deepening coverage and enhancing delivery capabilities are our focus areas for risk calibrated profitable growth.

The profit before tax excluding treasury grew by 19.2% year-on-year to 146.02 billion Rupees in this quarter and by 28.3% year-on-year to 544.79 billion Rupees in FY2024. The core operating profit increased by 10.5% year-on-year to 153.20 billion Rupees in this quarter and by 18.3% year-on-year to 581.22 billion Rupees in FY2024. The profit after tax grew by 17.4% year-on-year to 107.08 billion Rupees in this quarter. For the fiscal year 2024, the profit after tax grew by 28.2% year-on-year to 408.88 billion Rupees. The Board has recommended a dividend of 10 Rupees per share for FY2024, subject to requisite approvals.

Total deposits grew by 19.6% year-on-year and 6.0% sequentially at March 31, 2024. Term deposits increased by 27.7% year-on-year and 1.6% sequentially at March 31, 2024. During the quarter, the average current and savings account deposits grew by 7.0% year-on-year and 2.9% sequentially. The Bank's average liquidity coverage ratio for the quarter was about 123%.

The domestic loan portfolio grew by 16.8% year-on-year and 3.2% sequentially at March 31, 2024. The retail loan portfolio grew by 19.4% year-on-year and 3.7% sequentially. Including non-fund based outstanding, the retail portfolio was 46.8% of the total portfolio. The business banking portfolio grew by 29.3% year-on-year and 5.7% sequentially. The SME portfolio grew by 24.6% year-on-year and 3.8% sequentially. The rural portfolio grew by 17.2% year-on-year and 4.5% sequentially. The domestic corporate portfolio grew by 10.0% year-on-year and was flat sequentially. The overall loan portfolio including the international branches portfolio grew by 16.2% year-on-year and 2.7% sequentially at March 31, 2024.

The net NPA ratio was 0.42% at March 31, 2024 compared to 0.44% at December 31, 2023 and 0.48% at March 31, 2023. During the quarter, there were net additions of 12.21 billion Rupees to gross NPAs, excluding write-offs and sale. The total provisions during the quarter were 7.18 billion Rupees or 4.7% of core operating profit and 0.24% of average advances. The provisioning coverage ratio on NPAs was 80.3% at March 31, 2024. In addition, the Bank continues to hold contingency provisions of 131.00 billion Rupees or about 1.1% of total loans at March 31, 2024.

The capital position of the Bank continued to be strong with a CET-1 ratio of 15.60% and total capital adequacy ratio of 16.33% at March 31, 2024, after reckoning the impact of proposed dividend.

Looking ahead, we see many opportunities to drive risk calibrated profitable growth. We believe our focus on customer 360, extensive franchise and collaboration within the organisation, backed by our digital offerings, process improvements and service delivery initiatives will enable us to deliver holistic solutions to customers in a seamless manner and grow market share across key segments. We will continue to make investments in technology, people, distribution and building our brand. Operational resilience is a key area of focus for us and we continue to work towards enhancing the same. We will remain focused on maintaining a strong balance sheet with prudent provisioning and healthy levels of capital. The principles of “Return of Capital”, “Fair to Customer, Fair to Bank” and “One Bank, One Team” will continue to guide our operations. We remain focused on delivering consistent 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, growth in digital offerings, portfolio trends and 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 14.9% year-on-year and 3.1% sequentially. Auto loans grew by 19.2% year-on-year and 2.3% sequentially. The commercial vehicles and equipment portfolio grew by 14.1% year-on-year and 3.2% sequentially in the current quarter. Personal loans grew by 32.5% year-on-year and 5.0% sequentially compared to 37.3% year-on-year and 6.4% sequentially at December 31, 2023. The Bank continued to work on increasing pricing, further refining credit parameters and optimising sourcing costs resulting in lower disbursements of personal loans during the quarter as compared to the previous quarter. The credit card portfolio grew by 35.6% year-on-year and 6.5% sequentially. The personal loans and credit card portfolio were 9.9% and 4.3% of the overall loan book respectively at March 31, 2024.

The overseas loan portfolio, in US dollar terms, declined by 3.4% year-on-year at March 31, 2024. The overseas loan portfolio was about 2.8% of the overall loan book at March 31, 2024. The non-India linked corporate portfolio declined by 10.1% or about 31 million US dollars on a year-on-year basis. Of the overseas corporate portfolio, about 91% comprises Indian corporates, 6% is overseas corporates with Indian linkage, 2% comprises companies owned by NRIs or PIOs and balance 1% is non-India corporates.

B. Credit quality

There were net additions of 12.21 billion Rupees to gross NPAs in the current quarter compared to 3.63 billion Rupees in the previous quarter. The sequential increase is primarily due to higher recoveries and upgrades from the corporate and SME portfolio during the previous quarter. The net additions to gross NPAs were 17.11 billion Rupees in the retail, rural and business banking portfolios and there were net deletions of gross NPAs of 4.90 billion Rupees in the corporate and SME portfolio.

The gross NPA additions were 51.39 billion Rupees in the current quarter compared to 57.14 billion Rupees in the previous quarter. Recoveries and upgrades from gross NPAs, excluding write-offs and sale, were 39.18 billion Rupees in the current quarter compared to 53.51 billion Rupees in the previous quarter.

The gross NPA additions from the retail, rural and business banking portfolio were 49.28 billion Rupees in the current quarter compared to 54.82 billion Rupees in the previous quarter. Recoveries and upgrades from the retail, rural and business banking portfolio were 32.17 billion Rupees compared to 31.80 billion Rupees in the previous quarter. The gross NPA additions from the corporate and SME portfolio were 2.11 billion Rupees compared to 2.32 billion Rupees in the previous quarter. Recoveries and upgrades from the corporate and SME portfolio were 7.01 billion Rupees compared to 21.71 billion Rupees in the previous quarter.

The gross NPAs written-off during the quarter were 17.07 billion Rupees. There was sale of gross NPAs of 3.27 billion rupees in the current quarter compared to 0.36 billion rupees in the previous quarter. The sale of NPAs includes about 0.21 billion rupees in cash and about 0.64 billion rupees of security receipts. As these NPAs were fully provided, we continue to hold provisions against the security receipts.

The non-fund based outstanding to borrowers classified as non-performing was 36.71 billion Rupees as of March 31, 2024 compared to 36.94 billion Rupees as of December 31, 2023. The Bank holds provisions amounting to 20.90 billion Rupees against this non-fund based outstanding.

The total fund based outstanding to all standard borrowers under resolution as per various guidelines declined to 30.59 billion Rupees or about 0.3% of the total loan portfolio at March 31, 2024 from 33.18 billion Rupees at December 31, 2023. Of the total fund based outstanding under resolution at March 31, 2024, 25.45 billion Rupees was from the retail, rural and business banking portfolio and 5.14 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 9.75 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines.

Moving on to the P&L details:

C. P&L details

Net interest income increased by 8.1% year-on-year to 190.93 billion Rupees in this quarter. The net interest margin was 4.40% in this quarter compared to 4.43% in the previous quarter and 4.90% in Q4 of last year. The net interest margin was 4.53% in FY2024.

The impact of interest on income tax refund on net interest margin was nil in Q4 of this year compared to 4 bps in the previous quarter and nil in Q4 of last year. The domestic NIM was 4.49% this quarter compared to 4.52% in the previous quarter and 5.02% in Q4 of last year. The cost of deposits was 4.82% in this quarter compared to 4.72% in the previous quarter. Of the total domestic loans, interest rates on 49% of the loans are linked to the repo rate, 2% to other external benchmarks and

17% to MCLR and other older benchmarks. The balance 32% of loans have fixed interest rates.

Non-interest income, excluding treasury, grew by 15.7% year-on-year to 59.30 billion Rupees in Q4 of 2024.

- Fee income increased by 12.6% year-on-year to 54.36 billion Rupees in this quarter. Fees from retail, rural, business banking and SME customers constituted about 77% of the total fees in this quarter

- Dividend income from subsidiaries and associates was 4.84 billion Rupees in this quarter compared to 2.73 billion Rupees in Q4 of last year. The year-on-year increase in dividend income was primarily due to higher dividend from ICICI Bank Canada, ICICI Prudential Asset Management Company and ICICI Securities Primary Dealership

On Costs: The Bank's operating expenses increased by 8.7% year-on-year in this quarter and 19.0% year-on-year in FY2024. Excluding the one-off expense of 3.35 billion rupees in Q4-2023 on account of change in certain assumptions for provisions for retirement benefit obligations, the Bank's operating expenses would have increased by 12.9% year-on-year in this quarter and 20.3% year-on-year in FY2024. Employee expenses increased by 9.4% year-on-year in this quarter, reflecting mainly the increase in the employee base from fiscal 2023 onwards and impact of annual increments and promotions in FY2024. Excluding the one-off expense in Q4-2023, the Bank's employee expense would have increased by 21.3% year-on-year in this quarter. The Bank had about 141,000 employees at March 31, 2024. The number of employees has increased by about 12,000 in the last 12 months and by about 180 in the current quarter. Non-employee expenses increased by 8.3% year-on-year in this quarter primarily due to retail business related and technology expenses. Our branch count has increased by 623 in the last 12 months and by 152 in the current quarter. We had 6,523 branches as of March 31, 2024. The technology expenses were about 9.4% of our operating expenses in the year ended March 31, 2024. As happens every year, the operating expenses are expected to increase on account of annual increments and promotions during the first quarter of every fiscal year.

The core operating profit increased by 10.5% year-on-year to 153.20 billion Rupees in this quarter. The core operating profit increased by 18.3% year-on-year to 581.22 billion Rupees in FY2024.

The total provisions during the quarter were 7.18 billion Rupees, or 4.7% of core operating profit and 0.24% of average advances compared to 10.50 billion Rupees in the previous quarter. The total provisions during FY2024 decreased by 45.3% year-on-year to 36.43 billion Rupees. The provisioning coverage on NPAs was 80.3% as of March 31, 2024. In addition, we hold 9.75 billion Rupees of provisions on borrowers under resolution. Further, the Bank continues to hold contingency provision of 131.00 billion Rupees as of March 31, 2024. At the end of March, the total provisions, other than specific provisions on fund-based outstanding to borrowers classified as non-performing, were 234.59 billion Rupees or 2.0% of loans.

The profit before tax excluding treasury grew by 19.2% year-on-year to 146.02 billion Rupees in Q4 of this year and by 28.3% year-on-year to 544.79 billion Rupees in FY2024.

There was a treasury loss of 2.81 billion Rupees in Q4 compared to a loss of 0.40 billion Rupees in Q4 of the previous year due to the transfer of negative balance of 3.40 billion Rupees in Foreign Currency Translation Reserve related to Bank's Offshore Unit in Mumbai to profit and loss account in view of the proposed closure of the Unit.

The tax expense was 36.13 billion Rupees in this quarter compared to 30.85 billion Rupees in the corresponding quarter last year. The profit after tax grew by 17.4% year-on-year to 107.08 billion Rupees in this quarter. The profit after tax grew by 28.2% year-on-year to 408.88 billion Rupees in FY2024.

D. Growth in digital offerings

We continue to enhance the use of technology in our operations and to provide solutions to customers. iLens, the retail lending platform, is being upgraded on an ongoing basis, with personal loans and education loans now integrated in the platform along with mortgages. About 71% of trade transactions were done digitally in FY2024. The volume of transactions done through Trade Online platform grew by 29.2% year-on-year in FY2024. We have further simplified bank guarantee journeys with new enhancements. Smart BG Assist is a solution to enable digital execution of bank guarantees for creating and validating text, e-stamping, digital signatures among others.

E. Portfolio information

We have provided details on our retail, business banking and SME portfolio in slides 24 to 31 of the investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 55.28 billion Rupees at March 31, 2024 compared to 58.53 billion Rupees at December 31, 2023. This portfolio is about 0.47% of our advances at March 31, 2024. Other than two accounts, the maximum single borrower outstanding in the BB and below portfolio was less than 5.00 billion Rupees at March 31, 2024. At March 31, 2024, we held provisions of 9.03 billion Rupees on the BB and below portfolio compared to 9.25 billion Rupees at December

31, 2023. This includes provisions held against borrowers under resolution included in this portfolio.

The total outstanding to NBFCs and HFCs was 770.68 billion Rupees at March 31, 2024 compared to 784.84 billion Rupees at December 31, 2023. The total outstanding loans to NBFCs and HFCs were about 6.5% of our advances at March 31, 2024.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital was 482.92 billion Rupees at March 31, 2024 compared to 456.85 billion Rupees at December 31, 2023. The builder portfolio is about 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 2.7% of the builder portfolio at March 31, 2024 was either rated BB and below internally or was classified as non-performing, compared to 3.1% at December 31, 2023.

F. Consolidated results

The consolidated profit after tax grew by 18.5% year-on-year to 116.72 billion Rupees in this quarter. The consolidated profit after tax grew by 30.0% year-on-year to 442.56 billion Rupees in FY2024.

The details of the financial performance of subsidiaries and key associates are covered in slides 39 to 41 and 60 to 65 in the investor presentation.

The annualised premium equivalent of ICICI Life was 90.46 billion Rupees in FY2024 compared to 86.40 billion Rupees in FY2023. The value of new business was 22.27 billion Rupees in FY2024 compared to 27.65 billion Rupees in FY2023. The value of new business margin was 24.6% in FY2024 compared to 32.0% in FY2023. The profit after tax of ICICI Life was 8.52 billion Rupees in FY2024 compared to 8.11 billion

Rupees in FY2023. The profit after tax was 1.74 billion Rupees in this quarter compared to 2.35 billion Rupees in Q4 of last year.

During the quarter, the Bank purchased equity shares of ICICI Lombard General Insurance Company Limited through secondary market transactions. Consequently, the company is now a subsidiary of the Bank. Gross Direct Premium Income of ICICI General was 247.76 billion Rupees in FY2024 compared to 210.25 billion Rupees in FY2023. The combined ratio stood at 103.3% in FY2024 compared to 104.5% in FY2023. The profit after tax grew by 11.0% to 19.19 billion Rupees in FY2024 from 17.29 billion Rupees in FY2023. Excluding the impact of reversal of tax provision in Q2-2023, PAT grew by 19.8% in FY2024. The profit after tax was 5.20 billion Rupees in this quarter compared to 4.37 billion Rupees in Q4 of last year.

The profit after tax of ICICI AMC, as per Ind AS was 5.29 billion Rupees in this quarter compared to 3.85 billion Rupees in Q4 of last year.

The profit after tax of ICICI Securities, as per Ind AS on a consolidated basis, was 5.37 billion Rupees in this quarter compared to 2.63 billion Rupees in Q4 of last year.

ICICI Bank Canada had a profit after tax of 19.9 million Canadian dollars in this quarter compared to 15.6 million Canadian dollars in Q4 last year.

ICICI Bank UK had a profit after tax of 9.5 million US dollars this quarter compared to 5.0 million US dollars in Q4 of last year.

As per Ind AS, ICICI Home Finance had a profit after tax of 1.69 billion Rupees in the current quarter compared to 0.96 billion Rupees in Q4 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 the question and answer session. We have the first question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania:

I had three questions. So, my first question is on the accelerated deposit mobilization during the quarter. Now your LDR always looked comfortable relative to peers. So the 6% Q-o-Q deposit growth that was just business as usual because liquidity improved and more deposits were available or you would have a certain LDR in mind, which drove that?

Anindya Banerjee:

No, I think, it was very much a function of improvement in the flows that we saw, particularly on the CASA side. Of course, the period-end numbers do overstate the increase in the deposit base, but even on an average basis, I think we have given the average CASA growth numbers, definitely, the flows were stronger in Q4 relative to the previous couple of quarters. So, it's pretty much a function of that and nothing specific from our side as such.

Mahrukh Adajania:

Is the environment conducive enough to deliver, say, a high-teens growth over the next 1 year at least? I mean, I know beyond that, there's very little visibility.

Anindya Banerjee:

We don't really give an outlook, Mahrukh, in terms of growth. I think we have our risk framework, our distribution and our delivery system, whatever passes through that we'll be happy to take. I think, as you know, we have always been focused on organizing our business around micro markets and ecosystems, and we believe that given our current market share in different micro markets and ecosystems, there is sufficient room for us to grow. We will just take that as it comes. But I don't see any particular growth challenge sitting here today in the environment.

Mahrukh Adajania:

Got it. In terms of your cost-to-income ratio for the whole year, I know the one quarter seasonality, is it fair to assume that now it can hold below 40%?

Anindya Banerjee:

We don't really manage to that metric. We look at the overall risk-adjusted profitability. But, as we have been saying, we do expect some moderation in the level of cost growth and even as we continue to invest in the areas that require investment, and I think you've seen some of that coming through this quarter. That's the way we would look at it.

Mahrukh Adajania:

Okay. Any adverse remarks or qualifications on your CSITE audit from the regulator?

Anindya Banerjee:

Obviously, regulatory reports and interactions with the regulator are confidential. I could only say that, as we have always been saying and as Sandeep mentioned in his opening remarks as well, we attach great priority to operational resilience and are extremely responsive, we try to be, to any concerns expressed from any quarter. But in large and complex banks, there could always be issues now and then. I think, what we have to do is to take a quick corrective action and keep strengthening our systems, including our technology interfaces as well as our core infrastructure. That is what we try to do.

Moderator:

Next question is from the line of Kunal Shah from Citi Group.

Kunal Shah:

Again, just to touch up on the operating expenses side, if you can just highlight, obviously, we look at more in terms of the risk adjusted and not the ratios on cost to income or cost to assets. But what would have actually led to maybe the decline in the overall overhead cost? Or would there be any other element which are more of the one-offs during the quarter or provisioning reversals, which would have been done in the first nine months? Is there any such element out there? And, on the employee side just like you highlighted 180, last time also it was hardly 1,700 employees getting added. So would the pace of employee addition be very modest and that can help in the overall employee cost for next year as well?

Anindya Banerjee:

There is no one-off in terms of past provision reversals etc. in the quarter. Otherwise, we would have brought that out, if it was of significance. As far as the employee headcount is concerned, I think, the net additions to the team size had started slowing from Q3. We had been saying that we definitely don't expect the headcount to increase at the pace at which it had increased over the previous 12 to 15 months. So, we will continue to open branches and expand the franchise. And for that, whatever employee base additions need to be done will happen, but it would be at a much more measured level than what it was over the last 12 to 15 months.

I think one of areas, which I briefly touched upon in the context of when we were talking about personal loans, where we have optimized the cost is on the sourcing cost side. So that does reflect in the overheads. I think that plus the moderation in the increase in the employee base are the two key things. Other expenses like business-related expenses, advertisement, sales promotion etc., there is some seasonality, as you know, in between, say, a festive quarter and a non-festive quarter.

Kunal Shah:

Sure. Fair to assume overall opex growth could be lower than the balance sheet growth going forward as larger part of the investments maybe employees also done, and we are optimizing the sourcing cost?

Anindya Banerjee:

We look at overall, what is the profit kind of trajectory of risk-adjusted PPOP and it is difficult to talk of, say, opex versus assets. I think, definitely, the pace of growth in opex has already moderated, it's quite visible, and we will probably see opex growth at a moderate pace from here on.

Kunal Shah:

Sure. Lastly, on deposit costs last time you highlighted that deposit costs, maybe the repricing would largely be reflected in Q4 and a very low running into Q1. So given 10 bps kind of an increase which has been there, is like larger part of the deposit repricing is now behind us?

Anindya Banerjee:

I mean, we did raise deposit rates by 10 bps in February on the retail side, which was not there at the time when we had our last call. So, some impact will be there, but I guess that will go through, it wouldn't be a very large impact.

Moderator:

Next question is from the line of Nitin Aggarwal from Motilal Oswal.

Nitin Aggarwal:

Congratulations on the strong performance. Sir, my first question is on margins. So can we say that now the NIMs have more or less bottomed out? How do you really compare the incremental spread on business sourced during the quarter to the outstanding spreads?

Anindya Banerjee:

As we had said and as we spoke in response to the last question also, we will still see some increase in deposit costs, both as the repricing comes through and given the increase in retail deposit rates during Q4 as well. So I guess we could see some further moderation in the NIM, but I would expect it to be pretty range bound from here on for the next few quarters until a rate cut actually happens. So that's where you should see the NIM.

Nitin Aggarwal:

Okay. Anindya, I just also wanted to take your view on how do you really see the impact of this rate cut cycle getting delayed versus if suppose it had happened in the mid of the year, how do you really see that?

Anindya Banerjee:

I think what we would anyway have expected and were expecting was a fairly shallow rate cut cycle. So, we need to compare it to the rate hike cycle of 250 basis points in nine months. Here, what was being talked of was maybe 50 bps over a six-months period, maybe starting in the second quarter, which now one could debate whether it will be 0 or 25 or whatever and at what point in time. So I don't think that it would be as meaningful as the hike cycle was. But of course, there will be some lead lag in the repricing of assets and liabilities. To the extent that it is delayed, the repricing of assets will also get delayed. But, at the same time, any reduction in deposit rates will also move forward. So, it will have that lead lag, timing will change, but beyond that not too much.

Nitin Aggarwal:

Okay. The other question that I have is on the rating profile of the corporate and SME advances, slide 26. There has been some moderation in the proportion of 'A and above' exposures. So any threshold like that you will look to maintain? Because over the last one year, there's almost a 600 basis point decline in that. So any particular level that you would want to maintain this?

Anindya Banerjee:

That change in mix is driven by 2 factors. I think, one is the growth in the business banking type of portfolio, which maps into BBB kind of a level. The credit performance of that portfolio in terms of the net additions to NPL has been very strong, so it doesn't really worry us from a credit portfolio quality perspective. On the corporate side, as we had mentioned last quarter also, we have been reducing some of the very highly rated, finely priced kind of exposures, including in the NBFC space, where the capital charge also went up during the third quarter. So these are the 2 reasons. From an overall portfolio credit profile or credit stability perspective, we are very comfortable with this.

Nitin Aggarwal:

Right. One last question, if I can squeeze in. While I understand you don't share any guidance around credit growth, but how would you read the competitive intensity now with some of the other large private banks are either constrained on CD ratio and now more recently with this section on the digital sourcing from another bank. How do you look at the competitive intensity as an overall and therefore, growth outlook for the bank?

Anindya Banerjee:

Our sense is that in terms of the lending rates, there is some moderation in the competitive intensity over the last quarter, but we will have to keep seeing how it plays out through the year and calibrating our risk-reward trade-offs accordingly.

Moderator:

Next question is from the line of Piran Engineer from CLSA.

Piran Engineer:

Congrats on the quarter. My question is sort of similar to Nitin's out here that as HDFC Bank is now going slow on corporate loan growth, does that present an opportunity for you to double down on this business? Or you expect most of that to move to PSU banks? How are you really thinking about it? I'm asking because we used to grow in the high teens and now that growth has slowed down to 10%. So just wanted to understand your thought process behind it.

Anindya Banerjee:

On the corporate side, actually, our growth has been 10% to low double-digit kind of for some time. See, we are very open. I mean, we have strong corporate relationships and a strong funnel for business. Over the last few years, I think our view on lending rates and the way we look at overall profitability has kind of made us less competitive, perhaps, in some pockets of lending. So, we will look at it as the opportunities come. As long as it passes our risk filters, we are very open to it.

Piran Engineer:

Okay. Secondly, just on fee income, there has been sort of slower growth this time. Anything to read into it? I'm not referring only Q-o-Q, but Y-o-Y also is a little weaker.

Anindya Banerjee:

Nothing specific. I think relative to Q3, which was like a 19% growth, Q4 would be weaker because Q3 is the festive season. Overall, for the year, we have grown at about 15%, which we think is a good level.

Piran Engineer:

Okay. We shouldn't read it as, you are not sacrificing the retail loan yields, but you are giving up on the processing fees or something like that to maintain loan growth, it's like a trade-off between yields and fees. That's how I'm thinking, but am I thinking wrong?

Anindya Banerjee:

No, no, not really.

Piran Engineer:

Okay. Fair enough. Just last question. One comment that you made on opex was that you'll have optimized sourcing cost in personal loans. So, just wanted to get a sense of what percentage happens externally because I would presume most of it are internal customers where sourcing cost is nil?

Anindya Banerjee:

I spoke about it in the context of personal loans, but I think, across all categories where there is an element of external sourcing we have optimized the sourcing costs. So, that is one of the levers that has played out to some extent on the opex side. Personal loans, I more talked about it as in the context of the disbursal volumes having come down.

Moderator:

Next question is from the Chintan Joshi from Autonomous.

Chintan Joshi:

Can I follow up on the lending yield side, a nice increase in the quarter. We've seen one of your major competitors try to increase their threshold rates. And it seems like benefit is flowing to other players as well. Would you recognize that there's some benefit flowing to you as well because of the actions of large competitors?

Anindya Banerjee:

One quarter is a relatively short time for it to play out. But, as I mentioned earlier, we do see some moderation in the competitive intensity on the lending side clearly over the last quarter, but we'll have to see how it plays out over the year.

Chintan Joshi:

Do you think it can stick as you go through the year? Or like what is your read at the moment? Is it looking?

Anindya Banerjee:

I think it's a very dynamic environment and different banks and other lenders look at the market differently at different points in time. So very difficult to say. From our side, our endeavor is always to maintain yield discipline as far as we can.

Chintan Joshi:

On opex and on RWAs, there has been a reduction in quarter-on-quarter. You spoke a lot about opex. I just want to make sure that there are no funnies or one-offs in either items that we should bear in mind?

Anindya Banerjee:

In the operating expenses?

Chintan Joshi:

And in RWAs. Both items. So RWAs are down 8% quarter-on-quarter. Any reason for that?

Anindya Banerjee:

Which element of RWA?

Chintan Joshi:

I am looking at your slide number 37, standalone capital adequacy, December 31, INR13.25 trillion has fallen to INR12.2 trillion as of year-end.

Anindya Banerjee:

Yes, I'm sorry, I think there's been some misplacement of the number, we'll just correct that. You should compare the 13,253 to the 13,727, which has gone into the last row, we'll correct that.

Chintan Joshi:

Okay, that makes sense. Finally, credit cards, I mean, generally, there's a lot of regulatory scrutiny on tech, on KYC on other issues. There was this data breach that happened. How should we think about this issue? What happened and do you think this will attract regulatory scrutiny?

Anindya Banerjee:

No, I think we had clarified that basically about 17,000 cards that have been issued in the last few days, while mapping it to the digital channels, they were mapped incorrectly. As soon as that came to our notice, we took the necessary corrective action in terms of blocking and issuing new cards and so on. So definitely, it's something we take very seriously and attach a lot of importance to operational resilience as Sandeep also mentioned. But once in a while, in banks, issues can happen. I think it's our job to have a quick recovery and to keep working on improving the quality of processes and the operational resilience, which we are doing.

Moderator:

Next question is from the line of Rahul Jain from Goldman Sachs.

Rahul Jain:

Congrats on good quarter. Just a couple of questions. First is on opex. Of course, much has been debated and discussed. Still, I would like to ask how much more scope is there for you to rationalize this cost? Because there is definitely competitive intensity either in deposits or on loans that will remain over a period of time. And you rationalized on the PL side, but do we have enough capacity on the deposit side, on the branches side? Is there more scope to rationalize this? Or whatever we had to do kind of done, and this will now reflect the growth in deposits or loans or disbursals, how the business grows? So, I just wanted to understand more about this how it trends out in the couple of quarters over the next few years?

Anindya Banerjee:

We have to look at the various large elements of cost. I think one large part is on the employee base, where we have spoken about how that has trended. Of course, as I mentioned when I was speaking in the opening part of the call, we will see an increase there in the first quarter as the promotions, increments come through. But, in terms of the headcount, I would expect stability to moderate increase from here on. On the business-related expenses, I think we always look at optimizing and how much we can relate it directly to the revenue opportunities.

On the technology side, while we continue to spend fairly large amounts and while this may continue to grow at a somewhat faster pace than the overall opex, the rate of growth of the tech expense itself, given the large base that we now have, will moderate compared to, say, the pace of growth that we had a couple of years ago. So I think in totality, as I said, we would expect the pace of growth of opex to be more moderate than we have seen in the last couple of years. That's about it.

Rahul Jain:

So essentially, productivity gains are coming through and that gives you confidence that it should essentially sustain, yes?

Anindya Banerjee:

Right. Right.

Rahul Jain:

All right. The other question was on slippages. So retail slippages kind of stabilized at around 2.5% versus last year also. So, is this the rate of slippages that we should expect given going forward? Or the normalization is still yet to fully play out?

Anindya Banerjee:

I guess, looking at it in terms of credit costs, we are still at sub-40 basis points for this quarter. I think, if you kind of adjust out one offs or if you take a more adjusted view, we would still be under 50 basis points. That may normalize upwards slightly, but I don't see anything very dramatic there.

Rahul Jain:

Okay. Got it. Just a small question. There were articles a month or 2 back about the top-up loans, and we do have a small portion of that in our loan book. So anything out there from the regulator's side that we need to watch out for on the top-ups?

Anindya Banerjee:

No, nothing.

Moderator:

Ladies and gentlemen, we'll take that as our last question. I will now hand the conference over to the management for closing comments.

Anindya Banerjee:

Thank you all for joining the call, and we can take any other questions you have separately. Thank you.

Moderator:

Thank you very much. On behalf of ICICI Bank Limited, that concludes this conference. Thank you for joining us.