August 10, 2023

ICICI Bank Limited: Ratings reaffirmed; Ratings withdrawn for matured/redeemed instruments

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Basel III Tier II Bonds	10,000.00	10,000.00	[ICRA]AAA (Stable); reaffirmed
Basel III Tier I Bonds	4,520.00	4,520.00	[ICRA]AA+ (Stable); reaffirmed
Basel III Tier I Bonds	5,555.00	-	[ICRA]AA+ (Stable); reaffirmed and withdrawn
Basel II Lower Tier II Bonds	1,479.00	1,479.00	[ICRA]AAA (Stable); reaffirmed
Basel II Lower Tier II Bonds	3,800.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Infrastructure Bonds	53,900.00	53,900.00	[ICRA]AAA (Stable); reaffirmed
Long-term Bonds	40.41	40.41	[ICRA]AAA (Stable); reaffirmed
Long-term Bonds	338.34	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Fixed Deposit	-	-	[ICRA]AAA (Stable); reaffirmed
Certificates of Deposit	50,000.00	50,000.00	[ICRA]A1+; reaffirmed
Total	**1,29,632.75**	**1,19,939.41**	

**Instrument details are provided in Annexure I*

Rationale

ICICI Bank Limited's (IBL) ratings continue to be supported by its strong market position as one of the three systemically important banks in India, reflected by its sizeable and steadily growing market share in banking sector advances. IBL's market position is further reinforced by its presence across verticals in the financial services sector, which has driven the growth of its granular assets and liabilities. The ratings continue to factor in the bank's strong capitalisation profile, its demonstrated ability to raise sizeable capital as well as the materially large value of its stake in subsidiaries in relation to its core capital. The ratings also factor in the improvement in the operating profitability, led by the strong growth in advances and the expansion in the spreads. This, along with lower credit costs, resulted in an improvement in internal capital generation. Moderation in fresh non-performing advances (NPA) generation, along with the meaningfully high recoveries and upgrades seen during FY2023-Q1 FY2024, drove an improvement in the headline asset quality metrics.

Going forward, the restructured book (0.4% of standard advances as on June 30, 2023) and a portion of the BB and below rated corporate book could remain a source of incremental stress amid weakening macro-economic factors that could potentially impact the debt-servicing abilities of the more vulnerable borrowers. This remains a monitorable. However, the bank's strong capital position together with its robust operating profitability and sizeable contingent provisions, equivalent to 1.25% of standard advances as on June 30, 2023, are expected to provide a cushion against any future asset quality stress.

The ratings continue to factor in IBL's robust resource profile, driven by its retail franchise and well supported by its widespread branch presence and digital platforms, leading to one of the lowest cost of funds in the private sector. The Stable outlook on the ratings factors in the expectation that the bank will continue to derive strength from its retail franchise as well as maintain solvency (net NPA/core equity), return on assets (RoA) and capital cushions better than the negative triggers.

ICRA has withdrawn the ratings assigned to the Rs. 5,555-crore Basel III Tier I bonds, Rs. 3,800-crore Basel II Lower Tier II bonds and Rs. 338.34-crore long-term bonds as these bonds have been fully redeemed and no amount is outstanding against the same. The ratings were withdrawn in accordance with ICRA's policy on the withdrawal of credit ratings (click here for the policy).

Key rating drivers and their description

Credit strengths

Strong market position across financial services verticals supports granular growth of assets and liabilities – IBL is one of the three systemically important banks in India with a market share of 7.5% of advances in the banking sector as on March 31, 2023 (7.5% as on March 31, 2022) and a 19.8% share (19.6% as on March 31, 2022) in private sector advances as on March 31, 2023. Along with its subsidiaries, IBL has a wide presence across various financial services verticals like life insurance, general insurance, securities broking, merchant banking, asset management, primary dealership, etc, with a leadership position in many of these businesses. This allows it to provide a diverse range of financial services to its customers, thereby enhancing its customer engagement and retention strategy, particularly in the retail segments.

The strong growth in the retail book supported the 18.1% YoY growth in overall net advances to Rs. 10.58 lakh crore as on June 30, 2023. As a result, the share of the retail segment (including rural and business banking) in net advances inched up to 69.7% as on June 30, 2023 from 68.4% as on June 30, 2022. The bank's strong retail franchise is expected to continue supporting the growth in its granular retail assets as the operating environment improves.

Strong liability franchise supports competitive cost structure – Supported by its extensive branch presence and the deepening of the digital ecosystem, the bank's deposit base grew at a healthy pace of 17.9% YoY to Rs. 12.39 lakh crore as on June 30, 2023, despite offering one of the lowest interest rate propositions. IBL's current account and savings account (CASA) ratio moderated to 43.3% as on June 30, 2023 (46.9% as on June 30, 2022), remaining similar to the private sector average. Further, the granularity of the deposit profile is reflected in the low share of the top 20 depositors in total deposits, which stood at 3.78% as on June 30, 2023 (5.26% as on March 31, 2022). Compared to peer banks, IBL's depositor concentration levels are one of the lowest. It has been able to maintain granularity despite the relatively high growth in its deposit base.

Strong capital cushions; unrealised value in subsidiaries sizeable in relation to capital – IBL's capitalisation ratios remained strong with the CET I, Tier I and the capital-to-risk weighted assets ratio {CRAR; as a percentage of risk-weighted assets (RWAs)} at 16.66%, 16.76% and 17.47%, respectively, as on June 30, 2023 (17.23%, 17.95%, and 18.74%, respectively, as on June 30, 2022). The bank's capital position was supported by the improving capital accretion seen during FY2023-Q1 FY2024, driven by the strong operating profitability and lower credit costs.

Many of IBL's subsidiaries are large and provide significant financial flexibility as its profitability was cushioned by stake dilution in these entities during periods of elevated asset quality challenges. This remains a source of comfort. As per ICRA's estimates, the bank's current capital position is sufficient to support its growth requirements over the medium term and absorb any unexpected asset quality shocks.

Comfortable return metrics; sizeable prudent provisions offer cushion against incremental asset quality impact – The strong growth in net advances, expansion in spreads and steady non-interest income levels have led to a sustained improvement in the operating profitability. Furthermore, credit costs were lower, driven by meaningful recoveries and upgrades. As a result, the RoA witnessed a sustained improvement to 2.0-2.4% during FY2023-Q1 FY2024 from 0.8% in FY2020. Additionally, the relatively high provision coverage ratio on legacy stressed assets and the sizeable contingency provision of Rs. 13,100 crore (6.80% of core capital and 1.25% of standard advances), as on June 30, 2023, are expected to support profitability going forward.

Credit challenges

Near-term NPA generation remains monitorable amid macro-economic weakening – IBL's gross annualised fresh NPA generation[1] rate moderated to 2.10% in Q1 FY2024 (2.37% in FY2023 and 2.90% in FY2022), supported by lower slippages in the wholesale segment. The retail segment accounted for ~95% (83% in FY2023 and 90% in FY2022) of the total slippages during this period. However, recoveries, upgrades and write-offs remained meaningful, resulting in an improvement in the

[1] *Fresh NPA generation ratio = Fresh slippages/opening standard assets*

headline asset quality metrics despite high slippages, with the gross and net NPA at 2.94% and 0.51%, respectively, as on June 30, 2023 (against 3.60% and 0.74%, respectively, as on June 30, 2022).

Nevertheless, the recent weakening of macro-economic factors, including the sharp rise in inflation, the depreciation of the Indian rupee and the spike in interest rates, could impact certain borrowers. IBL's ability to contain slippages in these segments and maintain high recovery rates will remain key to ensure a sustained improvement in the asset quality in the near to medium term.

Environmental and social risks

While banks like IBL do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risks are not material for IBL as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. IBL has not faced such lapses over the years, which highlights its sensitivity to such risks. It is seen to be operating responsibly in terms of its selling practices with no instances of fines being imposed by the regulatory authorities because of misconduct. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. IBL has been at the forefront of making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the under-served segments, its lending practices remain prudent, as reflected in the healthy asset quality numbers in this segment compared with its peers.

Liquidity position: Superior

The bank's consolidated daily average liquidity coverage ratio was 122% for the quarter ending June 30, 2023 (125% in Q1 FY2023, 122% in Q4 FY2023) and its net stable funding ratio stood at 125% as on June 30, 2023 against the regulatory requirement of 100%. Further, strong deposit accretion supported the growth in advances and resulted in positive gaps in the structural liquidity statement. Additionally, IBL can avail liquidity support from the Reserve Bank of India (RBI; through repo against excess statutory liquidity ratio (SLR) investments and the marginal standing facility mechanism) in case of urgent liquidity requirement.

Rating sensitivities

Positive factors – Not applicable as the ratings for all the instruments are at the highest possible level

Negative factors – ICRA could assign a Negative outlook or downgrade the ratings if there is a deterioration in the asset quality or capital position, leading to the weakening of the solvency profile with net NPA/core equity exceeding 15% on a sustained basis. Further, a sustained RoA of less than 1.0% and/or a decline in the capital cushions over the regulatory levels to less than 4% at the CET I level on a sustained basis will remain negative triggers. A material weakening in the bank's liability franchise, thereby impacting its resource profile, will also remain a negative trigger. Additionally, the weakening of the distributable reserves eligible for the coupon payment on the AT-I bonds will be a negative trigger for the rating for these bonds.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	ICRA's Rating Methodology for Banks and Financial Institutions ICRA's Policy on Withdrawal of Credit Ratings ICRA's Rating Methodology on Consolidation
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of IBL. However, in line with ICRA's limited consolidation approach, the capital requirement of the Group's key subsidiaries, going forward, has been factored in. In ICRA's view, IBL's subsidiaries are well capitalised and largely self-sufficient for their growth capital requirements and any capital infusion in the near to medium term in the subsidiaries is expected to remain limited in relation to the bank's overall profits.

About the company

ICICI Bank Limited (IBL) is a systemically important private sector bank in India with a 7.5% market share in banking sector advances as on March 31, 2023. With a presence in banking, insurance, asset management, investment banking and private equity, the ICICI Group is a large player in the Indian financial system. As of June 30, 2023, the bank had 6,074 branches and 16,731 ATMs. IBL was promoted in 1994 by ICICI Limited, an Indian financial institution, and was its wholly-owned subsidiary. In 1998, ICICI Limited's shareholding in IBL reduced to 46% following a public offering of shares. Further, ICICI Limited and IBL were merged in 2002, following which the ICICI Group's financing and banking operations, both wholesale and retail, were integrated into a single entity.

Key financial indicators (standalone)

ICICI Bank Limited	FY2022	FY2023	Q1 FY2023	Q1 FY2024
Net interest income	47,466	62,129	13,210	18,226
Profit before tax	30,609	42,421	9,165	12,847
Profit after tax	23,339	31,897	6,905	9,648
Net advances (Rs. lakh crore)	8.59	10.20	8.96	10.58
Total assets (Rs. lakh crore)	14.11	15.84	14.16	16.47
CET I	17.60%	17.12%	17.23%	16.66%
Tier I	18.35%	17.60%	17.95%	16.76%
CRAR	19.16%	18.34%	18.74%	17.47%
Net interest margin / ATA	3.60%	4.15%	3.74%	4.51%
PAT / ATA	1.77%	2.13%	1.95%	2.39%
Return on net worth	13.95%	17.18%	15.86%	18.75%
Gross NPAs	3.76%	2.98%	3.60%	2.94%
Net NPAs	0.81%	0.51%	0.74%	0.51%
Provision coverage excl. technical write-offs	79.20%	83.47%	79.60%	83.09%
Net NPA / Core equity capital	4.46%	2.81%	4.27%	2.79%

Source: ICICI Bank Limited, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore unless mentioned otherwise

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated	Amount outstanding as of Aug 01, 2023	Date & rating in FY2024	Date & rating in FY2023		Date & rating in FY2022		Date & rating in FY2021
			(Rs. crore)	(Rs. crore)	Aug 10, 2023	Sep 02, 2022	May 31, 2022	Mar 08, 2022	May 25, 2021	Apr 29, 2020
1	Basel III Tier II Bonds	Long Term	10,000.00	945.00^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (hyb) (Stable)	[ICRA]AAA (hyb) (Stable)
2	Basel III Tier I Bonds	Long Term	4,250.00	1,140.00^	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA+ (hyb) (Stable)	[ICRA]AA+ (hyb) (Stable)
3	Basel III Tier I Bonds	Long Term	5,555.00	-	[ICRA]AA+ (Stable); withdrawn	-	-	-	-	-
4	Basel II Lower Tier II Bonds	Long Term	1,479.00	1,479.00	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
5	Basel II Lower Tier II Bonds	Long Term	3,800.00	-	[ICRA]AAA (Stable); withdrawn	-	-	-	-	-
6	Infrastructure Bonds	Long Term	53,900.00	46,019.40^	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
7	Long-term Bonds	Long Term	40.41	40.41	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)
8	Long-term Bonds	Long Term	338.34	-	[ICRA]AAA (Stable); withdrawn	-	-	-	-	-
9	Fixed Deposits	Long Term	-	-	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	[ICRA]AAA (Stable)	MAAA (Stable)	MAAA (Stable)	MAAA (Stable)
10	Certificates of Deposit	Short Term	50,000	12,416.50^	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

^ Balance amount yet to be placed

Note: In compliance with the circular issued by the Securities and Exchange Board of India (SEBI) on July 16, 2021 for standardising the rating scales used by credit rating agencies, ICRA has discontinued its practice of affixing the (hyb) suffix alongside the rating symbols for hybrid instruments

Complexity level of the rated instruments

Instrument	Complexity Indicator
Basel III Tier II Bonds	Highly Complex
Basel III Tier I Bonds	Highly Complex
Basel II Lower Tier II Bonds	Simple
Infrastructure Bonds	Very Simple
Long-term Bonds	Very Simple
Fixed Deposit	Very Simple
Certificates of Deposit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE090A08UD0	Basel III Tier II Bonds	Feb 17, 2020	7.10%	Feb 17, 2030	945.00	[ICRA]AAA (Stable)
NA	Basel III Tier II Bonds	Proposed	-	-	9,055.00	[ICRA]AAA (Stable)
NA	Basel III Tier I Bonds	Proposed	-	-	3,380.00	[ICRA]AA+ (Stable)
INE090A08UC2	Basel III Tier I Bonds	Dec 28, 2018	9.90%	Perpetual (Call: Dec 28, 2023)	1,140.00	[ICRA]AA+ (Stable)
INE090A08UA6	Basel III Tier I Bonds	Oct 04, 2017	8.55%	Oct 4, 2022	475.00	[ICRA]AA+ (Stable); withdrawn
INE090A08TZ5	Basel III Tier I Bonds	Sep 20, 2017	8.55%	Sep 20, 2022	1,080.00	
INE090A08UB4	Basel III Tier I Bonds	Mar 20, 2018	9.15%	Mar 20, 2023	4,000.00	
INE090A08QO5	Basel II Lower Tier II Bonds	Sep 29, 2010	8.90%	Sep 29, 2025	1,479.00	[ICRA]AAA (Stable)
INE090A08SN3	Basel II Lower Tier II Bonds	Dec 31, 2012	9.15%	Dec 31, 2022	3,800.00	[ICRA]AAA (Stable); withdrawn
NA	Infrastructure bonds	Proposed	-	-	7,880.60	[ICRA]AAA (Stable)
INE090A08UJ7	Infrastructure bonds	Dec 12, 2022	7.63%	Dec 12, 2029	5,000.00	[ICRA]AAA (Stable)
INE090A08UI9	Infrastructure bonds	Sep 15, 2022	7.42%	Sep 15, 2029	2,100.00	[ICRA]AAA (Stable)
INE090A08UH1	Infrastructure bonds	Mar 11, 2022	7.12%	Mar 11, 2032	8,000.00	[ICRA]AAA (Stable)
INE090A08UG3	Infrastructure bonds	Dec 17, 2021	6.96%	Dec 17, 2031	5,000.00	[ICRA]AAA (Stable)
INE090A08UF5	Infrastructure bonds	Nov 26, 2021	6.67%	Nov 26, 2028	3,595.00	[ICRA]AAA (Stable)
INE090A08UE8	Infrastructure bonds	Jun 15, 2021	6.45%	Jun 15, 2028	2,827.40	[ICRA]AAA (Stable)
INE090A08TU6	Infrastructure bonds	Oct 07, 2016	7.60%	Oct 07, 2023	4,000.00	[ICRA]AAA (Stable)
INE090A08TN1	Infrastructure bonds	Aug 06, 2014	9.15%	Aug 06, 2024	700.00	[ICRA]AAA (Stable)
INE090A08TO9	Infrastructure bonds	Sep 04, 2014	9.25%	Sep 04, 2024	3,889.00	[ICRA]AAA (Stable)
INE090A08TS0	Infrastructure bonds	Mar 31, 2015	8.45%	Mar 31, 2025	2,261.00	[ICRA]AAA (Stable)
INE090A08TT8	Infrastructure bonds	May 13, 2016	8.40%	May 13, 2026	6,500.00	[ICRA]AAA (Stable)
INE090A08TX0	Infrastructure bonds	Jun 27, 2017	7.42%	Jun 27, 2024	400.00	[ICRA]AAA (Stable)
INE090A08TY8	Infrastructure bonds	Jun 27, 2017	7.47%	Jun 25, 2027	1,747.00	[ICRA]AAA (Stable)
INE090A08SP8	Long-term bonds	Jan 22, 1998	Zero Coupon	Jul 21, 2026	40.41	[ICRA]AAA (Stable)
INE005A11960	Long-term bonds	Aug 28, 2001	Zero Coupon	Aug 28, 2022	9.79	[ICRA]AAA (Stable); withdrawn
INE005A11697	Long-term bonds	Dec 24, 1999		Sep 24, 2022	8.45	
INE005A11AC6	Long-term bonds	Sep 27, 2001		Sep 27, 2022	6.38	
INE005A11AI3	Long-term bonds	Nov 12, 2001		Nov 12, 2022	8.02	
INE005A11309	Long-term bonds	Oct 05, 1998		Dec 05, 2022	137.86	
INE005A11AO1	Long-term bonds	Dec 24, 2001		Dec 24, 2022	8.01	
INE005A08AA6	Long-term bonds	Jan 19, 2001		Jan 19, 2023	1.21	
INE005A11AU8	Long-term bonds	Jan 23, 2002		Jan 23, 2023	8.09	
INE005A11BA8	Long-term bonds	Feb 19, 2002		Feb 19, 2023	13.23	
INE005A11BF7	Long-term bonds	Mar 27, 2002		Mar 27, 2023	15.13	
INE005A11531	Long-term bonds	Jun 16, 1999		Apr 16, 2023	18.28	
INE005A11341	Long-term bonds	Dec 01, 1998		May 01, 2023	57.09	
INE005A11382	Long-term bonds	Jan 11, 1999		Jun 11, 2023	40.2	
INE005A11BK7	Long-term bonds	Apr 23, 2002		Jul 23, 2023	6.6	
NA	Fixed deposits	-	-	-	-	[ICRA]AAA (Stable)
NA	Certificates of deposit	Yet to be placed	-	7-365 days	37,583.50	[ICRA]A1+
INE090A169Z3	Certificates of deposit	Jun 15, 2023	7.33%	Jun 13, 2024	1,000.00	[ICRA]A1+
INE090A168Z5	Certificates of deposit	Apr 28, 2023	7.44%	Apr 30, 2024	1,925.00	[ICRA]A1+
INE090A167Z7	Certificates of deposit	Apr 11, 2023	7.40%	Mar 26, 2024	1,250.00	[ICRA]A1+
INE090A165Z1	Certificates of deposit	Apr 11, 2023	7.40%	Mar 28, 2024	412.50	[ICRA]A1+
INE090A166Z9	Certificates of deposit	Apr 10, 2023	7.45%	Mar 15, 2024	500.00	[ICRA]A1+
INE090A162Z8	Certificates of deposit	Jan 12, 2023	7.65%	Dec 29, 2023	1,625.00	[ICRA]A1+
INE090A163Z6	Certificates of deposit	Jan 10, 2023	7.65%	Jan 10, 2024	25.00	[ICRA]A1+
INE090A160Z2	Certificates of deposit	Dec 14, 2022	7.60%	Nov 30, 2023	500.00	[ICRA]A1+
INE090A161Z0	Certificates of deposit	Dec 13, 2022	7.60%	Dec 12, 2023	999.00	[ICRA]A1+
INE090A169Y6	Certificates of deposit	Nov 24, 2022	7.55%	Nov 17, 2023	1,695.00	[ICRA]A1+
INE090A168Y8	Certificates of deposit	Nov 17, 2022	7.55%	Nov 15, 2023	85.00	[ICRA]A1+

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE090A167Y0	**Certificates of deposit**	Nov 01, 2022	7.50%	Nov 02, 2023	65.00	[ICRA]A1+
INE090A166Y2	**Certificates of deposit**	Oct 14, 2022	7.42%	Sep 15, 2023	200.00	[ICRA]A1+
INE090A162Y1	**Certificates of deposit**	Oct 07, 2022	7.15%	Sep 29, 2023	250.00	[ICRA]A1+
INE090A161Y3	**Certificates of deposit**	Oct 07, 2022	7.15%	Sep 11, 2023	1,085.00	[ICRA]A1+
INE090A163Y9	**Certificates of deposit**	Oct 03, 2022	7.09%	Oct 03, 2023	250.00	[ICRA]A1+
INE090A169X8	**Certificates of deposit**	Aug 12, 2022	6.65%	Aug 07, 2023	550.00	[ICRA]A1+

Source: ICICI Bank Limited

Key features of rated debt instruments

The servicing of the Basel II Lower Tier II Bonds and infrastructure bonds is not subject to any capital ratios and profitability. However, the Basel III Tier II Bonds are expected to absorb losses once the point of non-viability (PONV) trigger is breached in the RBI's opinion. The rated Basel III Tier I (AT-I) and Basel III Tier II instruments are hybrid subordinated debt instruments with equity-like loss-absorption features. Such features may translate into higher loss severity vis-à-vis conventional debt instruments.

The rating for the AT-I Bonds is one notch lower than the rating for the Basel III Tier II Bonds as these instruments have the following loss-absorption features that make them riskier.

- The coupon payments are non-cumulative and discretionary, and the bank has full discretion at all times to cancel the same. The cancellation of discretionary payments shall not be an event of default.
- Coupons can be paid out of the current year's profits. However, if the current year's profit is not sufficient or if the payment of the coupon is likely to result in a loss, the coupon payment can be made through the reserves and surpluses created through the appropriation of profits (including statutory reserves). However, the coupon payment is subject to the bank meeting the minimum regulatory requirements for the CET I, Tier I and total capital ratios (including capital conservation buffer, CCB) at all times, as prescribed by the RBI under Basel III regulations.

These Tier I bonds are expected to absorb losses through the write-down mechanism at the objective prespecified trigger point fixed at the bank's (CET I) ratio as prescribed by the RBI, i.e. 6.125% of the total RWAs of the bank or when the PONV trigger is breached in the RBI's opinion.

The distributable reserves[2] that can be used for servicing the coupon in a situation of inadequate profits or a loss during the year, stood at a comfortable 12.1% of RWAs as on March 31, 2023. The rating on the Tier I bonds continues to be supported by the bank's sound capitalisation profile and expectations of healthy profitability going forward.

Annexure II: List of entities considered for limited consolidated analysis

Company Name	Ownership*	Consolidation Approach
ICICI Prudential Life Insurance Company Limited	51.27%	Limited Consolidation
ICICI Lombard General Insurance Company Limited	48.02%	Limited Consolidation
ICICI Securities Limited	74.85%	Limited Consolidation
ICICI Home Finance Company Limited	100.00%	Limited Consolidation
ICICI Prudential Asset Management Company Limited	51.00%	Limited Consolidation
ICICI Securities Primary Dealership Limited	100.00%	Limited Consolidation
ICICI Bank Canada	100.00%	Limited Consolidation
ICICI Bank UK PLC	100.00%	Limited Consolidation

*Source: ICICI Bank Limited; *As on March 31, 2023*

[2] *As defined in RBI circular*

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