

August 31, 2023

ICICI Bank Limited: Ratings reaffirmed and upgraded for PTCs and SLF issued under two mortgage loan pools

Summary of rating action

Trust Name [^]	Instrument [*]	Initial Rated Amount (Rs. crore)	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	14.97	11.55	[ICRA]AAA(SO); Reaffirmed
	PTC Series B ^{^^}	-	-	-	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	59.73	21.00	21.00	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	17.23	13.23	[ICRA]AAA(SO); Reaffirmed
	PTC Series B ^{^^}	-	-	-	[ICRA]AAA(SO); Reaffirmed
	Second Loss Facility	62.77	27.75	27.75	[ICRA]AAA(SO); Upgraded from [ICRA]AA+(SO)

[^]The two trusts are referred to as Aawas 8 and Aawas 5, respectively, in this release

^{^^} Initial investment by PTC Series B holders was nominal

^{*}Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating for the pass-through certificates (PTCs) and upgraded the ratings for second loss facility (SLF) issued under two mortgage securitisation transactions originated by ICICI Bank Limited (IBL) (rated [ICRA]AAA(Stable)/[ICRA]A1+). The rating actions are based on the performance of the underlying pools till date and the expected performance over their balance tenure as well as the credit enhancement available for the rated PTCs and the SLF.

The performance of these transactions (Aawas 8 and Aawas 5 pools) till the July 2023 payout (June 2023 collection month) is given in the table below.

Pool performance summary

Parameter	Aawas 8	Aawas 5
Months post securitisation	212	211
Pool amortisation	98.44%	98.14%
PTC amortisation – PTC Series A2	98.44%	98.16%
Cumulative collection efficiency ¹	99.21%	98.43%
Cumulative prepayment rate	74.71%	77.55%
Loss-cum-90+ dpd ² (% of initial pool)	0.58%	0.79%
Loss-cum-180+ dpd ³ (% of initial pool)	0.55%	0.79%
Cumulative cash collateral (CC) utilisation (% of initial CC)	0.01%	0.00%
Breakeven collection efficiency ² – PTC Series A2	0.00%	0.00%

¹ (Cumulative current and overdue collections till date)/(Cumulative billing till date + opening overdues at the start of the transaction)

² Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 90 days, as a percentage of initial pool principal

³ Inclusive of unbilled and overdue principal portion of contracts delinquent for more than 180 days, as a percentage of initial pool principal

² It is the minimum collection efficiency required over the balance tenure to ensure all investor payouts are met: (Balance cash flows payable to investor – CC available) / Balance pool cash flows

Key rating drivers

Credit strengths

- Healthy cumulative collection efficiency for both the pools
- Low delinquency observed for both the pools.
- High amortisation of the pools leading to cash collateral covering entire future investor payouts

Credit challenges

- PTC Yield for the pool is linked to an external benchmark while interest rate on the underlying loans is linked to originator's lending rate -which leads to a basis risk in the structure

Description of key rating drivers highlighted above

Aawas 8 and Aawas 5 have completed 212 months and 211 months post securitisation, respectively, and are amortised by 98.44% and 98.14%, respectively, at present. In addition to Series A2, these transactions have a Series B tranche, which is obliged to pay an amount equivalent to the principal outstanding on pre-identified contracts that are repriced in a certain manner (conversion from floating rate to fixed rate at a yield lower than what was payable to PTC Series A2 or conversion from fixed rate to floating rate). However, no such conversion has happened till date. Moreover, both pools have been characterised by a high cumulative collection efficiency, i.e. more than 98%, and low delinquency build-up (180+ dpd as a percentage of the initial pool size at 0.55% for Aawas 8 and 0.79% for Aawas 5, post June 2023 collections).

There has been a dip in collections in last few years in both pools on account of the lower recovery from overdue contracts and share of overdue contracts in the balance pools is high. There has been CC utilisation in Aawas 8 pool in July 2023 payout for the first time to a small extent. However the available CC, after the July 2023 payouts covers the entire balance promised PTC cash flow in both the transactions. Also the first loss facility (FLF) covers the entire future PTC cashflows.

In ICRA's opinion, the level of credit enhancement is highly comfortable to protect the investors from delinquencies and credit losses even under significantly stressed loss assumptions. ICRA will continue to monitor the performance of the pools.

Key rating assumptions

ICRA's cash flow modelling for the surveillance of mortgage-backed securitisation (MBS) transactions involves the simulation of potential delinquencies, losses (shortfall in principal collection during the balance tenor of the pool) and prepayments in the pool. The assumptions for the loss and coefficient of variation (CoV) are arrived at after taking into account the past performance of the Originator's portfolio and rated pools as well as the performance and characteristics of the specific pool being evaluated. Additionally, the assumptions may be adjusted to factor in the current operating environment and any industry-specific factors that ICRA believes could impact the performance of the underlying pool of contracts.

Liquidity position

PTC Series A2 & PTC Series B: Superior

The collections in the pools are expected to be highly comfortable to meet the investor payouts. Also, the balance CC covers the entire balance promised cash flow in the pools.

SLF: Superior

The FLF covers the future investor payouts completely and thus SLF is unlikely to be utilised for the pools.

Rating sensitivities

Positive factors – Not applicable

Negative factors – The ratings for PTCs are unlikely to be downgraded as the CC available in the transaction is sufficient to meet the future investor payouts while rating for SLF is also unlikely to be downgraded as FLF entirely covers the future investor payouts.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Rating Methodology for Securitisation Transactions
Parent/Group support	Not Applicable
Consolidation/Standalone	Not Applicable

About the originator

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 (audited)

ICICI Bank Limited (standalone)	FY2022	FY2023	Q1FY2023	Q1FY2024
Net Interest Income	47,466	62,129	13,210	18,226
Profit after tax	23,339	31,897	6,905	9,648
Net advances (Rs. lakh crore)	8.59	10.20	8.96	10.58
Gross NPA	3.76%	2.98%	3.60%	2.94%
Net NPA	0.81%	0.51%	0.74%	0.51%

Source: Company, ICRA Research; All ratios as per ICRA's calculations
Amount in Rs. crore

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	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in August 25, 2022	Date & Rating in FY2022 August 31, 2021	Date & Rating in FY2021 August 28, 2020	
					August 31, 2023				
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	11.55	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		PTC Series B^^	-	-	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		Second Loss Facility	59.73	21.00	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	

^^ Initial investment by PTC Series B holders was nominal

	Instrument	Current Rating (FY2024)				Chronology of Rating History for the Past 3 Years			
		Type	Initial Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022	Date & Rating in FY2021	
					August 31, 2023	August 25, 2022	August 31, 2021	August 28, 2020	
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	13.23	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		PTC Series B^^	-	-	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	[ICRA]AAA(SO)	
		Second Loss Facility	62.77	27.75	[ICRA]AAA(SO)	[ICRA]AA+(SO)	[ICRA]AA+(SO)	[ICRA]AA(SO)	

^^ Initial investment by PTC Series B holders was nominal

Complexity level of the rated instrument

Trust Name	Instrument	Complexity Indicator
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	Moderately Complex
	PTC Series B^	
	Second Loss Facility	
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	Moderately Complex
	PTC Series B^	
	Second Loss Facility	

^ Initial investment by PTC Series B holders was nominal

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

Trust Name	Instrument	Date of Issuance	Coupon Rate	Maturity Date**	Amount Rated (Rs. crore)	Current Rating
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	December 2005	Fixed (prevailing 5-yr OIS + spread)	November 2033	11.55	[ICRA]AAA(SO);
	PTC Series B^^		Floating*		-	[ICRA]AAA(SO);
	Second Loss Facility		NA		21.00	[ICRA]AAA(SO);
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	December 2005	Fixed (prevailing 5-yr OIS + spread)	March 2034	13.23	[ICRA]AAA(SO);
	PTC Series B^^		Floating*		-	[ICRA]AAA(SO);
	Second Loss Facility		NA		27.75	[ICRA]AAA(SO);

Source: Company, ICRA Research

^^ Initial investment by PTC Series B holders was nominal

* Linked to yield on specified loan contracts

** Expected maturity at transaction initiation; may change on account of prepayment and yield change

Annexure II: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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