

September 01, 2017

ICICI Bank Ltd.
Summary of Rated Instruments

Sl.	Issue Name	Instrument description	Initial amount (Rs. crore*)	Outstanding after Jul 2017 payout (Rs. crore)	Rating action
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	41.54	Reaffirmed at [ICRA]AAA(SO)
		PTC Series B^^			Reaffirmed at [ICRA]AAA(SO)
		Second Loss Facility	62.77	28.29	Reaffirmed at [ICRA]AA(SO)
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	49.99	Reaffirmed at [ICRA]AAA(SO)
		PTC Series B^^			Reaffirmed at [ICRA]AAA(SO)
		Second Loss Facility	62.77	43.94	Reaffirmed at [ICRA]AA(SO)

*Instrument details are provided in Annexure I

^^ Initial Investment by Series B PTC holders was nominal

Rating Action

ICRA has reaffirmed the [ICRA]AAA(SO) (pronounced ICRA triple A Structured Obligation) ratings assigned to PTCs backed by two mortgage loan pools of ICICI Bank. Furthermore, the rating assigned to the Second Loss Facilities of both the transactions have been reaffirmed at [ICRA]AA(SO) (pronounced ICRA double A Structured Obligation).

Rationale

The rating reaffirmation is 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 for SLF. The performance of these transactions till July 2017 payouts are given in the table below.

Table 1: Key initial features and pool performance summary (based on performance till Jul-17 payouts)

	Aawas 8	Aawas 5
Pool Amortisation	94.40%	93.03%
Cumulative Collection Efficiency ¹	99.52%	98.86%
Loss cum 180+ Delinquency ²	0.50%	0.74%
Cumulative Prepayment ³	72.14%	73.43%
Cumulative Credit Enhancement Utilisation ⁴	8.59%	10.73%
Cumulative cash collateral utilisation	0.00%	0.00%

Source: ICICI Bank and ICRA analysis

Key rating drivers

Credit Strengths

- The Cumulative collection efficiencies of both the Aawas 5 and Aawas 8 pools of ICICI bank Ltd has been more than 98%
- Both the Aawas 8 and Aawas 5 pools are highly amortized at 94% and 93% respectively
- The delinquencies in both the pools has stayed range-bound with the 90+ dpd level of below 0.8% and 180+ dpd levels below 0.74% post June 2017 collections

Credit Weakness

- Very high prepayment rate- may lead to credit enhancement utilisation. But this also leads to rapid amortisation and hence higher credit enhancement build-up.

Description of key rating drivers highlighted above:

Both Aawas 8 and Aawas 5 pools have completed about 140 months post securitisation and are presently amortized by 94% and 93% respectively. 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 get re-priced in a certain manner (conversion from floating to fixed rate at a yield lower than what was payable to PTC A2 or conversion from fixed rate to floating rate). However, no such conversion has happened till date. To-date, both these pools have been characterized by high collection efficiency i.e. more than 98% and low delinquency build-up (180+ dpd as % of initial pool size being less than 1.0%).

Overall, the credit enhancement available for meeting balance payouts to the investors – after downward reset of cash collateral in the two transactions - is sufficient to upgrade the ratings in all the transactions. ICRA will continue to monitor the performance of these transactions. Any further rating action will be based on the performance of the pools and the availability of credit enhancement relative to ICRA's expectations

¹ (Cumulative Collection- collection on prepayment)/((Cumulative Billing- Prepayment Billing)+ opening overdue in first month)

² (Principal Outstanding on contracts that are more than 180 days past due+ OD amount in 180 plus category)/ Initial Pool Principal

³ Cumulative prepaid amount till date / Original pool principal

⁴ includes utilisation of all forms of credit enhancement including EIS and cash collateral

In ICRA's opinion, the level of credit enhancement is sufficient to protect the investors from delinquencies and credit losses even under significantly stressed loss assumptions.

Key rating assumptions

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

After making the aforementioned adjustments, the expected loss and prepayments during the balance tenure of the pools are as given in the table below.

Sr. No	Transaction Name	Expected Loss (% of balance pool principal)	Prepayment
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	5.0% - 7.0%	12% - 18% p.a.
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	5.0% - 7.0%	12% - 18% p.a.

Analytical approach:

The rating action is based on the trustee confirming compliance with the terms of the transaction and the executed transaction documents being in line with the terms initially shared with ICRA.

Links to applicable Criteria

[Rating Methodology for Securitisation Transactions](#)

About the Originator:

ICICI Bank is the largest private sector bank in India on the basis of consolidated assets. With a presence in the banking, insurance, asset management, investment banking and private equity, the ICICI Group is an important and large player in the Indian financial system. For the quarter ended June 2017, ICICI Bank reported net profits of Rs. 2,049 cr. on assets of Rs. 7.58 lakh crore and a regulatory capital adequacy of 17.89% (Tier I: 14.80%). For year ended March 2017, it reported net profits of Rs. 9,801 cr. on assets of Rs. 7.69 lakh crore and a regulatory capital adequacy of 17.39% (Tier I: 14.36%). The asset quality indicators of the bank in FY2017 were Gross NPA% at 7.89% and Net NPA% at 4.89% as on March 31, 2017. Gross NPA% was at 7.99% and Net NPA% at 4.86% as on June 30, 2017.

ICRA currently has outstanding ratings of [ICRA]AAA(stable) for the lower tier II bonds program, unsecured redeemable long term bonds program, subordinated debt program and long term bonds program, [ICRA]AA+(hyb)(stable) for the Basel III compliant tier I bonds program, MAAA(stable) for the term deposits program and [ICRA]A1+ for Certificates of deposit program of the bank.

Till date, ICRA has assigned ratings to 271 PTCs / Assignee Payouts under 68 transactions involving bilateral assignment or securitisation of retail loan receivables, originated by ICICI Bank. These transactions include various asset classes like Commercial Vehicle loans, New Car, Used Car, Two Wheeler Loans, Construction Equipment loans, Home Loans, Personal Loans and Small Ticket Personal Loans. Of these transactions, the instruments discussed in this note are now live.

Key Financial Indicators (Audited)

	FY2016	FY2017	Q1FY2017	Q1FY2018
Net Interest Income	21,224	21,737	5,159	5,590
Profit after tax	9,726	9,801	2,232	2,049
Net advances	435,264	464,232	449,427	464,075
Total assets	717,878	768,749	724,424	757,874
% CET 1	13.09%	13.81%	12.94%	14.17%
% Tier 1	13.09%	14.36%	13.02%	14.80%
% CRAR	16.64%	17.39%	16.45%	17.89%
% Net Profit / Average total assets	1.43%	1.32%	1.24%	1.07%
% Return on Net Worth	11.62%	10.66%	10.14%	8.43%
% Net NPA/ Net worth	14.91%	26.26%	16.87%	25.93%

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table:

S. No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating Sept 2017	Month- year & Rating in Aug 2016	Month- year & Rating in Aug 2015	Month- year & Rating in Mar 2015
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	41.54	[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	28.29	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA- (SO)	[ICRA]AA- (SO)!
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	49.99	[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	43.94	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA (SO)	[ICRA]AA (SO)!

^^ Initial Investment by Series B PTC holders was nominal

Complexity level of the rated instrument: Highly Complex

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure I
Details of Instruments

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date**	Initial Amount (Rs. crore)	Amount O/s (Rs. crore)	Current Rating
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	Dec 2005	Fixed (prevailing 5 yr OIS + 93 bps)	Feb 2020	300.00	41.54	[ICRA]AAA (SO)
		PTC Series B^^		Floating *				[ICRA]AAA (SO)
		Second Loss Facility		N.A		62.77	28.29	[ICRA]AA (SO)
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	Dec 2005	Fixed (prevailing 5 yr OIS + 108.5 bps)	Mar 2021	345.39	49.99	[ICRA]AAA (SO)
		PTC Series B^^		Floating *				[ICRA]AAA (SO)
		Second Loss Facility		N.A		62.77	43.94	[ICRA]AA (SO)

^^ Initial Investment by Series B PTC holders was nominal

* Linked to yield on specified loan contracts

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

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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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