

ICICI Bank Limited

August 31, 2018

Summary of rated instruments

Trust Name	Instrument*	Initial Amount (Rs. Crore)	Amount after previous surveillance exercise (Rs. crore)	Amount after Jul-18 payout (Rs. crore)	Rating Action
ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	41.54	33.08	Rating reaffirmed at [ICRA]AAA(SO)
	PTC Series B^^	-	-	-	Rating reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	59.73	28.29	21.00	Rating reaffirmed at [ICRA]AA(SO)
ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	345.39	49.99	40.14	Rating reaffirmed at [ICRA]AAA(SO)
	PTC Series B^^	-	-	-	Rating reaffirmed at [ICRA]AAA(SO)
	Second Loss Facility	62.77	43.94	27.75	Rating reaffirmed at [ICRA]AA(SO)

*Instrument details are provided in Annexure-1

^^ Initial Investment by Series B PTC holders was nominal

Rating action

ICRA has reaffirmed the ratings for PTCs and SLF issued under two mortgage securitisation transactions originated by ICICI Bank Limited

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 the SLF. The performance of these transactions till July 2018 payouts are given in the table below.

Pool Performance Summary

Parameter	Aawas 8	Aawas 5
Months post securitization	151	150
Pool Amortization	95.5%	94.4%
PTC Amortization	95.5%	94.4%
Cumulative Collection Efficiency ¹	99.5%	98.8%
Loss cum 90+ dpd ² (% of initial Pool)	0.5%	0.8%
Loss cum 180+ dpd ³ (% of initial Pool)	0.5%	0.7%
90+ dpd ⁴ (% of Balance Pool)	9.8%	10.7%
180+ dpd ⁵ (% of Balance Pool)	9.3%	10.1%
Cumulative Cash Collateral Utilization	0.0%	0.0%
Breakeven Collection Efficiency ⁶	7.1%	4.2%
Cash Collateral (% of Balance Pool Principal)	117.3%	122.0%

Key rating drivers

Credit Strengths

- Both the Aawas 8 and Aawas 5 pools are highly amortized at 95.5% and 94.4% respectively
- The Cumulative collection efficiencies of both the pools Ltd is more than 98%
- The delinquencies in both the pools has stayed range-bound with a 180+ dpd level around 0.5% for the Aawas 8 transaction and around 0.7% for the Aawas 5 transaction post June 2018 collections

Credit Challenges

- 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 151 months and 150 months post securitisation respectively and are presently amortized by 95.5% and 94.4% 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 at around 0.5% for the Aawas 8 transaction and around 0.7% for the Aawas 5 transaction post June 2018 collections). The average monthly pre-payments rates for the 2 pools has been in the range of 0.8%-1.0%.

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 % of Initial Pool Principal

³ Inclusive of Unbilled and Overdue Principal portion of contracts delinquent for more than 180 days, as a % of Initial Pool Principal

⁴ Inclusive of Unbilled Principal portion of contracts delinquent for more than 90 days, as a % of Balance Principal

⁵ Inclusive of Unbilled Principal portion of contracts delinquent for more than 180 days, as a % of Balance Principal

⁶ (Balance Cashflows payable to investor– Cash collateral available)/ Balance Pool Cashflows

Additionally, there is also credit support in the form of a First Loss Facility (FLF) of Rs. 17.81 crore (53.8% of the balance PTC Principal Outstanding) in the Aawas 8 transaction and of Rs. 21.23 crore (52.9% of the balance PTC Principal Outstanding) in the Aawas 5 transaction.

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 Initial pool principal)	Prepayment
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	0.5% - 1.0%	12% - 18% p.a.
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	0.5% - 1.0%	12% - 18% p.a.

Analytical approach: The rating actions are based on the performance of the pools till June 2018 (collection month), the present delinquency levels and the credit enhancement available in the pools, and the performance expected over the balance tenure of these pools.

Links to applicable criteria:

[Rating Methodology for Securitisation Transactions](#)

About the company:

ICICI Bank Limited (IBL) is a large private sector bank in India with a 6.2% market share of the banking sector advances as on March 31, 2018. With a presence in banking, insurance, asset management, securities broking, investment banking and private equity, ICICI Group is a large player in the Indian financial system. As of June 30, 2018, the bank had 4,867 branches and 14,394 ATMs. IBL was originally 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 in 2002, ICICI Limited and IBL were merged, following which ICICI Group's financing and banking operations, both wholesale and retail, were integrated into a single entity.

For FY2018, IBL reported a net profit of Rs. 6,777 crore on total assets of Rs. 8.76 lakh crore and a regulatory capital adequacy of 18.42% (Tier I of 15.92% and CET I of 14.43%) compared to a net profit of Rs. 9,801 crore on total assets of Rs. 7.69 lakh crore and a regulatory capital adequacy of 17.39% (Tier I of 14.36% and CET I of 13.74%) as on March 31, 2017. For Q1 FY2019, IBL reported a net loss of Rs. 120 crore on total assets of Rs. 8.42 lakh crore and a regulatory

capital adequacy of 18.35% (Tier I of 15.84% and CET I of 14.42%). The bank reported gross NPAs of 8.81% and net NPAs of 4.19% as on June 30, 2018.

Key financial indicators (audited) (standalone)

	FY2017	FY2018	Q1FY2018	Q1FY2019
Net interest income	21,737	23,026	5,590	6,102
Profit before tax	11,279	7,435	2,575	(163)
Profit after tax	9,801	6,777	2,049	(120)
Net advances	464,232	512,395	464,075	516,289
Total assets	768,749	876,186	757,874	842,124
% CET	13.74%	14.43%	14.17%	14.42%
% Tier 1	14.36%	15.92%	14.80%	15.84%
% CRAR	17.39%	18.42%	17.89%	18.35%
% Net interest margin / Average total assets	2.92%	2.79%	2.92%	2.84%
% Net profit / Average total assets	1.32%	0.82%	1.07%	(0.06%)
% Return on net worth	10.66%	6.71%	8.30%	(0.47%)
% Gross NPAs	7.89%	8.84%	7.99%	8.81%
% Net NPAs	4.89%	4.77%	4.86%	4.19%
% Provision coverage excl. technical write offs	40.19%	48.42%	41.35%	54.79%
% Net NPA/ Net worth	26.26%	27.30%	25.93%	23.62%

Amount is Rs. crore

Source: IBL; ICRA research

All ratios are as per ICRA calculations

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2019)			Chronology of Rating History for the past 3 years			
	Type	Initial Rated Amount (Rs. crore)	Amount Outstanding (Rs. Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				Aug 2018	Sep 2017	Aug 2016	Aug 2015
1 ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	300.00	33.08	[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]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	345.39	40.14	[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]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-1: Instrument Details

Sl.	Trust Name	Instrument	Date of Issuance	Coupon Rate	Scheduled Maturity Date*	Rated Amount (Rs. crore) ^{&}	Current Rating
1	ICICI Bank Ltd. (2005) MBS 1 (Aawas Trust Series 8)	PTC Series A2	December 2005	Fixed (prevailing 5 yr OIS + spread)	February 2020	33.08	[ICRA]AAA(SO)
		PTC Series B^^		Floating *		-	[ICRA]AAA(SO)
		Second Loss Facility		N.A		21.00	[ICRA]AA(SO)
2	ICICI Bank Ltd. (2005) MBS 2 (Aawas Trust Series 5)	PTC Series A2	December 2005	Fixed (prevailing 5 yr OIS + spread)	March 2021	40.14	[ICRA]AAA(SO)
		PTC Series B^^		Floating *		-	[ICRA]AAA(SO)
		Second Loss Facility		N.A		27.75	[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

[&] Amounts Outstanding after July-18 Payouts

ANALYST CONTACTS

Vibhor Mittal

+91 22 6114 3440
vibhorm@icraindia.com

Abhijeet Ajinkya

+91 22 6114 3434
abhijeet.ajinkya@icraindia.com

Satchit Sawant

+91 22 6114 3435
satchit.sawant@icraindia.com

Arjun Bhatia

+91 22 6114 3449
arjun.bhatia@icraindia.com

RELATIONSHIP CONTACT

L Shivakumar

+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 6606 9999

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