


India

ADD (no change)

Consensus ratings*: Buy 49 Hold 3 Sell 0

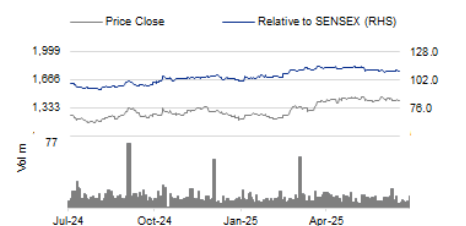
Current price: Rs1,426
 Target price:  Rs1,650
 Previous target: Rs1,650
 Up/downside: 15.7%
 InCred Research / Consensus: -0.4%

Reuters: ICBK.NS
 Bloomberg: ICICIB IN
 Market cap: US\$118,097m
 Rs10,175,090m
 Average daily turnover: US\$174.4m
 Rs15029.5m
 Current shares o/s: 1,419.5m
 Free float: 100.0%

*Source: Bloomberg

Key changes in this note

- Revise our margin assumptions for FY26F-28F based on 1QFY26 results.
- Revisit the valuations of the bank's subsidiaries.

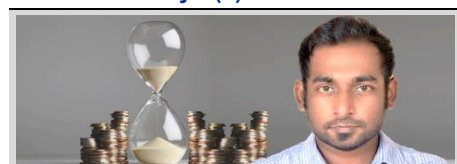


Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(0.1)	1.4	14.2
Relative (%)	0.7	(1.6)	12.6

Major shareholders	% held
LIC	7.1
SBI MF	6.5
ICICI Pru AMC	4.5

Research Analyst(s)



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ICICI Bank

Steady delivery; all eyes on volume growth

- 1QFY26 earnings beat was led by better NII, strong treasury income & contained costs. Credit costs remain at a normalized level, although up slightly.
- Domestic loan growth was at 12% YoY but needs to pick up. Retail deposit growth (per LCR) was strong at 4.5% QoQ (11% YoY).
- We maintain our TP at Rs1,650 (2.7x FY27F BV) while the stock currently trades at 2.3x FY27F core BV. Rerating hinges on volume growth outcome.

Better top-line, contained opex & strong treasury drive earnings beat

ICICI Bank reported 1QFY26 PAT of Rs128bn (+15% YoY; annualized RoA of 2.4%) which beat our estimates, mainly led by core PPoP (+11% YoY; 3% above our estimate) and strong treasury gains (Rs12.4bn vs. Rs2.4 last quarter). Credit costs remain at a normalized level, although slightly higher than estimate (54bp vs. 46bp) – partly owing to seasonal agri loan slippage. Strong NII growth (+11% YoY; 2% QoQ) and contained costs (+8% YoY) drove the core PPoP beat while core fee growth was subdued (+7% YoY). Margin not comparable to prior periods, given the change in the calculation methodology. Loan spreads appear to have declined by 10-15bp QoQ. Strong avg. balance sheet growth (4% QoQ) aided the sequential NII growth (2% QoQ). Loans grew by 12% YoY (2% QoQ) led by the domestic book (12% YoY; 2% QoQ) while overseas declined (down 5% YoY). Avg. deposit growth at 11% YoY (steady vs. last quarter) was led by avg. term deposit growth of 13% YoY (3% QoQ) while the avg. CASA, up 9% YoY (4% QoQ) - remains healthy (vs. peers). Retail deposits (per LCR) growth was strong at 4.5% QoQ (11% YoY).

Margin (adj. for IT refund) at 4.27%; expect full-year average at 4.25%

Management indicated that the repo rate cut in Feb of 25bp has been passed on entirely, the early Apr repo rate cut of another 25bp has substantially flown through & the early Jun repo rate cut of 50bp is yet to come through – most of it will flow through in 2QFY26F. We expect the margin to be trough in 2QFY26F & improve from there on. In 2QFY26F, the margin impact of ~20-25bp owing to the fall in yields will be partly offset by SA rate benefit (~9bp) as well as funding cost benefit from a gradual repricing of time liabilities (~6bp; term deposits & wholesale borrowings). We expect the FY26F margin to average at 4.25%.

Maintain ADD rating; we revisit our estimates & retain TP at Rs1,650

ICICI Bank continues to post healthy growth and profitability metrics. RoA will moderate to the 2.2%-2.3% level over FY26F-27F as margin/credit costs normalize. RoE should be ~16% over FY26F-27F and we expect an earnings CAGR of 11% over FY25-27F. We revisit our earnings estimates to factor in 1QFY26 results (marginal change to our book value). We maintain our target price of Rs1,650 (target multiple of 2.7x on FY27F BV). The core valuation at 2.3x FY27F BV remains attractive. We believe the stock's rerating from here on will hinge on its volume growth outcome. Key downside risks are lower-than-expected deposit growth, weak margin progression, and worsening asset quality trend.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income (Rsm)	740,397	810,034	896,572	1,033,912	1,215,333
Total Non-Interest Income (Rsm)	232,238	286,677	322,639	344,240	392,088
Operating Revenue (Rsm)	972,635	1,096,711	1,219,211	1,378,152	1,607,421
Total Provision Charges (Rsm)	(36,429)	(46,826)	(77,724)	(90,070)	(104,805)
Net Profit (Rsm)	408,883	472,270	509,306	576,571	689,334
Core EPS (Rs)	29.11	33.15	35.68	40.40	48.30
Core EPS Growth	28%	14%	8%	13%	20%
FD Core P/E (x)	48.98	43.01	39.96	35.30	29.52
DPS (Rs)	10.00	9.50	11.00	12.50	12.50
Dividend Yield	0.70%	0.67%	0.77%	0.88%	0.88%
BVPS (Rs)	169.7	205.0	236.6	271.5	313.5
P/BV (x)	8.40	6.95	6.03	5.25	4.55
ROE	18.6%	17.8%	16.2%	15.9%	16.5%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

Rs M	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Net Interest Income	195,529	211,929	216,345	11%	2%
Other Income	70,019	72,601	85,049	21%	17%
--Core Fee	54,900	63,060	59,000	7%	-6%
--Treasury Income	6,130	2,390	12,410	102%	419%
--Misc. Income	8,989	7,151	13,639	52%	91%
Total income	265,548	284,530	301,394	13%	6%
--Core Revenues	250,429	274,989	275,345	10%	0%
Operating Expenses	105,300	107,888	113,935	8%	6%
--Staff Expenses	43,705	41,052	47,431	9%	16%
--Other Operating Expenses	61,595	66,836	66,504	8%	0%
Operating Profit	160,248	176,643	187,458	17%	6%
--Core PPop	145,129	167,102	161,409	11%	-3%
Provisions	13,322	8,907	18,146	36%	104%
PBT	146,927	167,736	169,313	15%	1%
Tax	36,336	41,440	41,631	15%	0%
PAT	110,591	126,296	127,682	15%	1%
EPS	63	71	72		
Advances	12,231,543	13,417,662	13,641,571	12%	2%
Deposits	14,261,495	16,103,480	16,085,173	13%	0%
LD Ratio	86%	83%	85%		
CASA Ratio	41%	42%	41%		
Margins (%)	4.36	4.41	4.34	-0.02	-0.07
Overall provisions (in bps)	44	27	54		
---Credit cost (in bps)	44	36	54		
-----NPA provisions	39	33	51		
GNPA	287,186	241,662	247,327	-14%	2%
GNPA Ratio (%)	2.15%	1.67%	1.67%		
NNPA	56,848	55,894	59,711	5%	7%
NNPA Ratio (%)	0.43	0.39	0.41		
PCR	230,338	185,768	187,616	-19%	1%
PCR Ratio (%)	80%	77%	76%		
Slippages	59,160	51,420	62,450	6%	21%
--% of trailing loans	2.2%	1.7%	2.0%		
CET-1 Ratio (%)	15.9%	15.9%	16.3%		
RoA	2.4%	2.5%	2.4%		
RoE	18.0%	18.2%	17.1%		

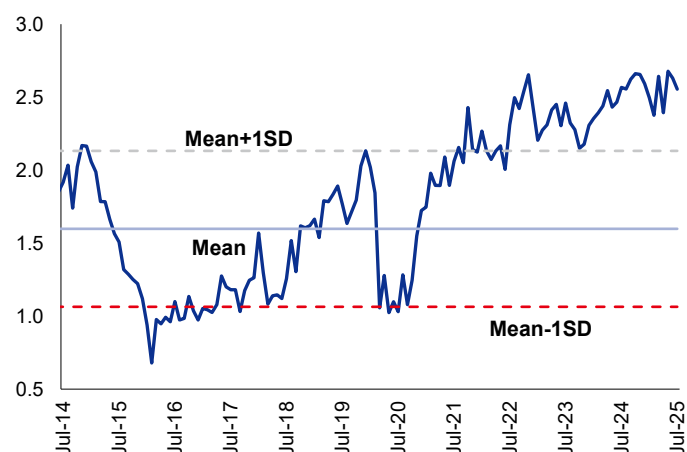
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Rs bn	New Estimates				Old Estimates			Change		
	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Net Interest Income	810	897	1,034	1,215	884	1,031	1,199	1%	0%	1%
--Growth YoY	9%	11%	15%	18%	9%	17%	16%			
Non-Interest Income	287	323	344	392	308	351	400	5%	-2%	-2%
--Growth YoY	23%	13%	7%	14%	8%	14%	14%			
Total Income	1,097	1,219	1,378	1,607	1,192	1,382	1,599	2%	0%	1%
--Growth YoY	13%	11%	13%	17%	9%	16%	16%			
Opex	424	466	524	589	476	535	601	-2%	-2%	-2%
--Growth YoY	8%	10%	12%	12%	12%	12%	12%			
PPOP	673	753	855	1,019	717	848	998	5%	1%	2%
--Growth YoY	16%	12%	13%	19%	6%	18%	18%			
Provision	47	78	90	105	70	81	95	11%	11%	11%
--as a % of avg. loans	37	54	55	55	48	49	49			
PBT	626	675	765	914	647	766	903	4%	0%	1%
Tax	154	166	188	225	159	188	222	-4%	0%	-1%
PAT	472	509	577	689	488	578	681	4%	0%	1%
--Growth YoY	16%	8%	13%	20%	3%	18%	18%			
Advances	13,418	15,126	17,478	20,332	15,484	18,022	20,988	-2%	-3%	-3%
--Growth YoY	13%	13%	16%	16%	15%	16%	16%			
Deposits	16,103	18,387	20,997	23,980	18,478	21,250	24,437	0%	-1%	-2%
--Growth YoY	14%	14%	14%	14%	15%	15%	15%			
Book Value	410	473	543	627	469	539	622	1%	1%	1%
--Growth YoY	21%	15%	15%	16%	14%	15%	15%			
EPS	67	71	81	97	68	81	96	4%	0%	1%
--Growth YoY	15%	7%	13%	20%	2%	18%	18%			
ROA	2.4%	2.3%	2.2%	2.3%	2.2%	2.2%	2.3%	11	2	7
ROE	17.9%	16.2%	16.1%	16.7%	15.7%	16.2%	16.6%	48	-18	5

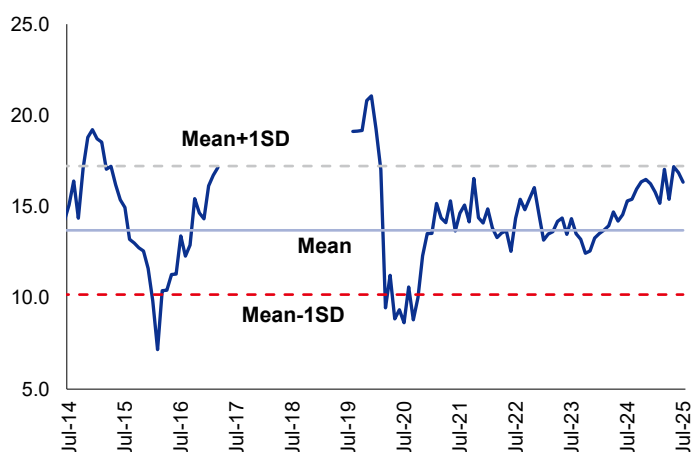
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: One-year forward core P/BV



SOURCE: INCRED RESEARCH

Figure 4: One-year forward core P/E



SOURCE: INCRED RESEARCH

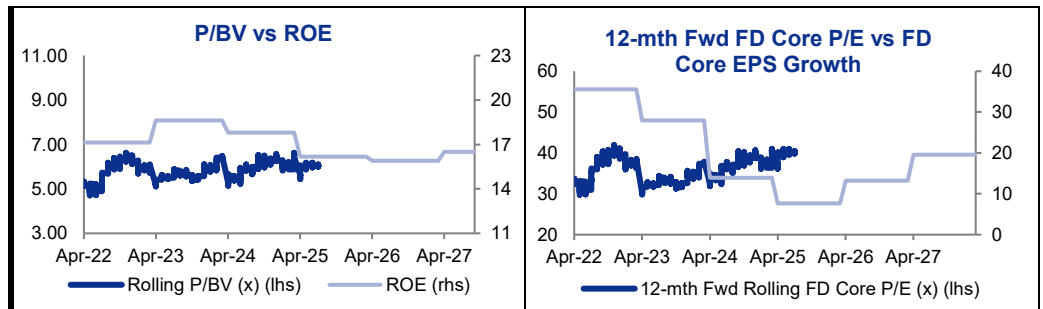
Key highlights

- Domestic loans grew by 12% YoY (2% QoQ) and were mainly led by business banking (+30% YoY; 4% QoQ) while retail loans grew by 6% YoY (flat QoQ) and corporate loans grew by 8% YoY (down 1% QoQ).
- The business banking book grew by 30% YoY (6% QoQ). Management noted that the current asset quality trend and behaviour is extremely benign, and it expects credit costs to inch up slightly. That said, it remains comfortable to deliver growth in the current environment. Management expects the share of the business banking book to improve further over the near- to medium-term.
- Gross slippage was at Rs62bn (2% annualized) vs. Rs51bn last quarter and Rs59bn last year (2.2%). On a YoY basis, given that 1Q tends to witness seasonal agri loan slippage, gross slippage was broadly steady. Net slippage increased to Rs30bn vs. Rs26bn last year and that partly led to an uptick in credit costs (54bp vs. 44bp last year).
- Headline GNPA's increased by 2% QoQ to Rs247bn and the GNPA ratio was broadly steady QoQ at 1.67% vs. last quarter. PCR remains healthy at 76%,

Figure 5: Financial summary

SOURCE: INCRED RESEARCH. COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Net Interest Income	740,397	810,034	896,572	1,033,912	1,215,333
Total Non-Interest Income	232,238	286,677	322,639	344,240	392,088
Operating Revenue	972,635	1,096,711	1,219,211	1,378,152	1,607,421
Total Non-Interest Expenses	(391,327)	(423,723)	(466,123)	(523,520)	(588,526)
Pre-provision Operating Profit	581,308	672,988	753,088	854,632	1,018,895
Total Provision Charges	(36,429)	(46,826)	(77,724)	(90,070)	(104,805)
Operating Profit After Provisions	544,878	626,162	675,364	764,562	914,090
Pretax Income/(Loss) from Assoc.					
Operating EBIT (incl Associates)	544,878	626,162	675,364	764,562	914,090
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	544,878	626,162	675,364	764,562	914,090
Exceptional Items					
Pre-tax Profit	544,878	626,162	675,364	764,562	914,090
Taxation	(135,996)	(153,892)	(166,059)	(187,990)	(224,756)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	408,883	472,270	509,306	576,571	689,334
Minority Interests					
Pref. & Special Div					
FX And Other Adj.					
Net Profit	408,883	472,270	509,306	576,571	689,334
Recurring Net Profit					

Balance Sheet Employment

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Gross Loans/Cust Deposits					
Avg Loans/Avg Deposits	85.0%	83.6%	82.8%	82.8%	84.1%
Avg Liquid Assets/Avg Assets	95.1%	95.7%	95.9%	95.8%	95.7%
Avg Liquid Assets/Avg IEAs	108.6%	109.3%	108.6%	107.3%	107.3%
Net Cust Loans/Assets					
Net Cust Loans/Broad Deposits					
Equity & Provns/Gross Cust Loans					
Asset Risk Weighting					
Provision Charge/Avg Cust Loans	0.33%	0.37%	0.54%	0.55%	0.55%
Provision Charge/Avg Assets	0.21%	0.23%	0.34%	0.35%	0.35%
Total Write Offs/Average Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rsm)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Gross Loans	11,844,064	13,417,660	15,126,163	17,477,966	20,331,570
Liquid Assets & Invst. (Current)	4,619,423	5,047,568	6,567,337	7,312,278	8,028,140
Other Int. Earning Assets					
Total Gross Int. Earning Assets	16,463,487	18,465,228	21,693,500	24,790,244	28,359,710
Total Provisions/Loan Loss Reserve					
Total Net Interest Earning Assets	16,463,487	18,465,228	21,693,500	24,790,244	28,359,710
Intangible Assets					
Other Non-Interest Earning Assets	743,801	742,092	859,379	1,034,488	1,244,049
Total Non-Interest Earning Assets	852,399	861,551	990,783	1,179,032	1,403,048
Cash And Marketable Securities	1,399,260	1,855,620	1,584,597	1,810,438	2,068,735
Long-term Investments					
Total Assets	18,715,146	21,182,398	24,268,880	27,779,714	31,831,492
Customer Interest-Bearing Liabilities	14,128,250	16,103,480	18,386,770	20,996,686	23,980,318
Bank Deposits					
Interest Bearing Liabilities: Others					
Total Interest-Bearing Liabilities	15,291,200	17,253,130	19,708,868	22,517,098	25,728,792
Banks Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	1,039,952	1,008,507	1,182,852	1,387,387	1,627,345
Total Liabilities	16,331,153	18,261,636	20,891,720	23,904,486	27,356,136
Shareholders Equity	2,383,993	2,920,763	3,377,161	3,875,229	4,475,356
Minority Interests					
Total Equity	2,383,993	2,920,763	3,377,161	3,875,229	4,475,356

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Income Growth	19.4%	9.4%	10.7%	15.3%	17.5%
Operating Profit Growth	18.7%	15.8%	11.9%	13.5%	19.2%
Pretax Profit Growth	29%	15%	8%	13%	20%
Net Interest To Total Income	76.1%	73.9%	73.5%	75.0%	75.6%
Cost Of Funds	4.86%	5.05%	4.85%	4.72%	4.56%
Return On Interest Earning Assets	9.4%	9.3%	8.9%	8.7%	8.7%
Net Interest Spread	4.56%	4.29%	4.08%	4.02%	4.15%
Net Interest Margin (Avg Deposits)	5.71%	5.36%	5.20%	5.25%	5.40%
Net Interest Margin (Avg RWA)					
Provisions to Pre Prov. Operating Profit	6%	7%	10%	11%	10%
Interest Return On Average Assets	4.29%	4.06%	3.95%	3.97%	4.08%
Effective Tax Rate	25.0%	24.6%	24.6%	24.6%	24.6%
Net Dividend Payout Ratio	17.2%	14.3%	15.4%	15.5%	12.9%
Return On Average Assets	2.37%	2.37%	2.24%	2.22%	2.31%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.