Sector: Banks | RESULT REVIEW Q1FY26 | Declared On: 19 July 2025

ICICI Bank Limited

RECOMMENDATION SNAPSHOT				
***CMP**	**MCap (Rsbn)**	**Recommendation**	**Target**	**Potential Upside**
Rs1466	**10,460**	**Accumulate**	**Rs1590**	**8%**

**as on 21st July, 2025*

About the Company:

The ICICI Bank Limited (ICICI) is one of India's leading private sector bank, with well-diversified portfolio offering a wide range of banking and financial services. Apart from banking services; it offers life and general insurance, asset management, securities broking and private equity services through its specialized subsidiaries. The core business consists of commercial banking operations for Indian corporates and retail customers. Products and services include loan products, fee and commission-based products and services, deposit products, foreign exchange and derivatives products to India's leading corporations, mid-sized companies and SME's. Other offerings include agriculture and rural banking products

Results: Quick Glance:

- The standalone **Net Interest Income** (NII) for the quarter came in at Rs216.34bn as compared to Rs195.53bn in Q1FY25; a growth of 10.6%
- **Net Interest Margin (NIM)** for the quarter stood at 4.34% compared with 4.41% in March quarter and 4.36% in Q1FY25
- The Net Profit for the quarter stood at Rs127.68bn as compared to Rs110.59bn in Q1FY25, growth of 15.4%
- Capital Adequacy Ratio- Base III for the quarter stands at 16.3%
- Gross NPA for the quarter stood at 1.67% v/s 1.67% in Q4FY25 and 2.15% in Q1FY25
- Net NPA for the quarter stood at 0.41% v/s 0.39% in Q4FY25 and 0.43% in Q1FY25

Financials:

Performance (Q1FY26)						
Q/E (Rs bn)	**Q1FY26**	**Q1FY25**	**Y-o-Y**	**Q4FY25**	**Q-o-Q**	**Comments**
Interest Earned (A)	429.47	389.96	10.13%	424.31	1.22%	
Interest Expense (B)	213.12	194.43	9.62%	212.38	0.35%	
Net Interest Income (C) =(A)-(B)	216.34	195.53	10.65%	211.93	2.08%	The growth during the quarter has beaten estimates
Fees and Other Income (D)	85.05	70.02	21.47%	72.60	17.15%	Fee income growth was 7.5% on a y-o-y basis
Total Income (E) =(A)+(D)	514.52	459.98	11.86%	496.91	3.54%	There was a treasury gain of Rs12,410mn during the quarter. Fees from retail, rural and business banking customers constituted about 79% of total fees in the quarter
Net Income (F)=(E)-(B)	301.39	265.55	13.50%	284.53	5.93%	
Employee Cost	47.43	43.71	8.52%	41.05	15.54%	
Other Operating Expenses	66.50	61.59	7.97%	66.84	(0.50%)	Technology expenses accounted for 10.7% of operating expenses in Q1FY26
Total Operating Expenses	113.94	105.30	8.20%	107.89	5.61%	
Operating Profit/PPOP	187.46	160.25	16.98%	176.64	6.12%	
Provisions & Contingencies	18.15	13.32	36.21%	8.91	-	The rise in provisions was on account of one-off impact of release of AIF related provisions worth Rs3890mn in Q1FY25
Profit Before Tax (PBT)	169.31	146.93	15.24%	167.74	0.94%	
Tax	41.63	36.34	14.57%	41.44	0.46%	
Profit After Tax (PAT)	**127.68**	**110.59**	**15.45%**	**126.30**	**1.10%**	Growth in the PAT is aided by resilient margins, controlled opex and healthy treasury gains

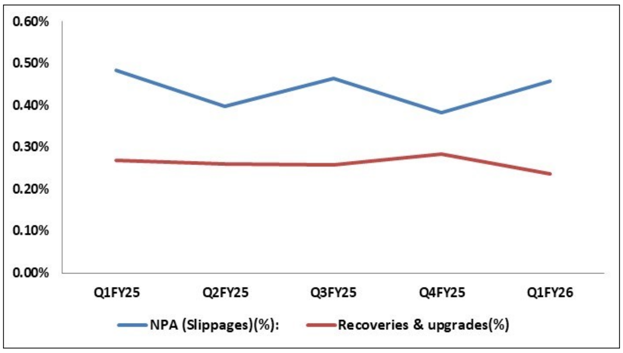
Financials (contd.):

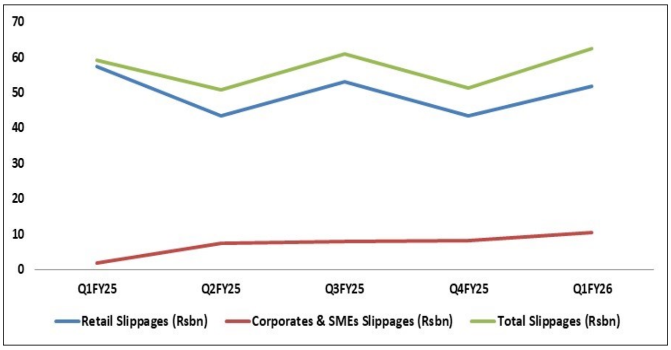
Balance Sheet items/Key Ratios						
Q/E (Rs in 'bn)	**Q1FY26**	**Q1FY25**	**Y-o-Y**	**Q4FY25**	**Q-o-Q**	**Comments**
Advances (Rs bn)	13641.57	12231.54	11.53%	13417.66	1.67%	Continued thrust in business banking
Deposits (Rs bn)	16085.17	14261.49	12.79%	16103.48	(0.11%)	Reported a healthy growth of 12.8% on a y-o-y basis to Rs16,085bn at the end of Q1FY26. Cost of deposits fell to 4.85% from 5% in Q4FY25
CASA (%)	38.70	39.60	(90bps)	38.40	30bps	The Bank is gaining market share in CASA deposits. Focus remains on deepening customer wallet share and positioning as the primary banker
Book Value per share (Rs)	429.30	361.00	18.92%	410.10	4.68%	
CD Ratio(%)	83.80	84.20	(40bps)	82.40	140bps	
Capital Adequacy Ratio-Basel III (%)	16.31	15.96	35bps	16.55	(24bps)	
Tier-I (%)	15.65	15.24	41bps	15.94	(29bps)	
Profitability						
Yield on Advances (%)	9.53	9.80	(27bps)	9.86	(33bps)	
Cost of Funds (%)	5.02	5.05	(71bps)	5.18	(84bps)	
NIM (%)	4.34	4.36	(2bps)	4.41	(7bps)	The NIMs are expected to see some decline/compress in next quarter thereafter depending on RBI rate cycle actions
Cost/Income (%)	37.80	39.70	(190bps)	37.90	(10bps)	
Tax Rate (%)	24.6%	24.7%	-	24.7%	-	
Return on Assets (%)	2.44	2.36	8bps	2.49	(5bps)	Led by strong asset profile and operational efficiency
Return on Equity (%)	17.10	18.00	(90bps)	18.20	(110bps)	
Gross NPA (Rs bn)	247.33	287.19	(13.88%)	241.66	2.35%	There have been net addition to the GNPA of Rs30.34bn with Rs7.67bn from Kisan credit card portfolio which were higher due to seasonal factors
Net NPA (Rs bn)	59.71	56.85	5.03%	55.89	6.83%	
Gross NPA (%)	1.67	2.15	(48bps)	1.67	-	The asset quality remains stable with NPLs up by only 2% q-o-q driven by Agri
Net NPA (%)	0.41	0.43	(2bps)	0.39	2bps	
Provision Coverage Ratio (%)	75.30	79.70	(440bps)	76.20	(90bps)	The provisions of Rs18.15bn during the quarter is 0.53% of average advances. There was a decline as the bank sold NPAs amounting to ~Rs1.08bn

Conference Call Highlights:

- The Bank had a network of 7,066 branches with addition of 83 branches in Q1FY26 and 13,376 ATMs as at 30th June, 2025
- Fee income increased by 7.5% on a y-o-y basis to Rs59bn in Q1FY26. Fees from retail, business banking and SME customers constituted about 79.0% of total fees in Q1FY26
- 1.9% of the builder portfolio was internally rated BB and below or NPA by the bank as on 30th June, 2025. The maximum single borrower outstanding is less than Rs5bn as on 30th June, 2025
- Domestic loan grew by 12.0% on a y-o-y basis. Within the domestic loan book, retail loans grew by 6.9% to Rs7205.40bn. Out of this, mortgage loans are at Rs4478.85bn (62.1%), followed by rural loans (10.7%) and vehicle loan (13.3%). The Management continues to see a healthy loan growth in business banking portfolio. The Bank has an overall market share of ~7-8% on the retail portfolio
- The credit card and personal portfolio saw a growth of ~1.5% and ~1.4% respectively on a y-o-y basis. The personal portfolio has moderated from 25% in Q1FY25 to ~1.4% on a y-o-y basis in the current quarter. The Management is ready to on-board new customers as well as and when required
- The Management witnessed certain competitive pressure on pricing during the quarter alongwith seasonality driven decline on the overall corporate portfolio. Of the total domestic loan, the interest rate for about 53% of loans are linked to repo rate, ~15% are linked to MCLR and other older benchmark and 1% to other external benchmark
- The NII reported a q-o-q growth of ~2.0% which was primarily on account of loan repricing that were linked to external benchmark, some interest reversals due to NPAs, seasonality additions and addition in KCC portfolio (which generally happens in Q1 and Q3); this was offset by reduction in deposit rates for both savings and TDs. Going forward, the Management expects the NIM to be slightly on the lower side in Q2 and thereafter would be dependent on the decisions from the RBI. The Management anticipates the impact of transition of repo rate cuts on external benchmark linked loans is expected to be higher in the upcoming quarter
- **Asset quality:** There was a net addition of Rs30.34bn to the gross NPAs in Q1FY26. The total provisions during the quarter were Rs226.64bn of which Rs131bn were made as contingency on prudent basis. The provision coverage ratio on NPAs stood at 75.3%. The Management is of the opinion that the asset quality trends on the unsecured portfolio have stabilised during the quarter under review
- Fund based outstanding to all borrowers under resolution was Rs17.88bn out of which retail portfolio was around Rs16.22bn and Rs1.66bn was from corporate and business banking portfolio, thus contributing to 0.1% of total advances as on 30th June, 2025
- Gross non-performing asset ratio stood at 1.67% against 2.15% as on 30th June, 2024. Net NPA ratio for the quarter stood at 0.41%
- The Bank has written off accounts worth Rs23.59bn in Q1FY26 (sale of NPAs stood at Rs1.08bn during the quarter under review). The Bank had a treasury gain of Rs12,410mn during the quarter as compared to Rs6130mn in Q1FY25, primarily reflecting realised and mark to market gains in fixed income securities and equities
- The dividend income during the quarter from the subsidiaries was Rs13.3bn v/s Rs8.9bn in Q1FY25. The increase in other income is primarily because of dividends declared by the subsidiaries
- For **digital initiatives**, the Bank continues to enhance the use of technology in its operations to provide simplified solutions to customers and make investments in its digital channels
- The Bank will acquire 100% shareholding (for a cash consideration of Rs2,035mn) in ICICI Prudential Pension Funds Management Company Ltd (ICICI PFM) from ICICI Prudential Life Insurance Company Ltd (ICICI Life) to make ICICI PFM a WoS of the Bank, subject to RBI, PFRDA and other necessary approvals

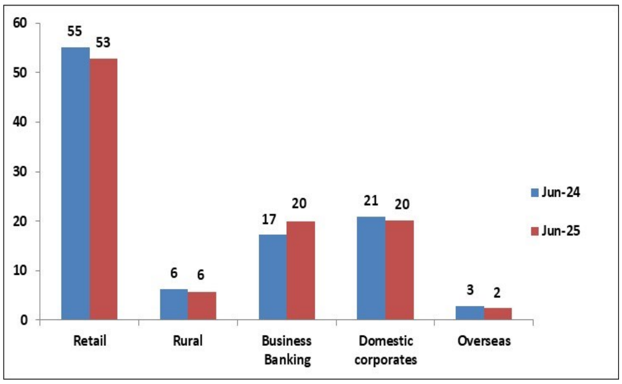
Exhibit 1: Asset Quality and Profitability Trends





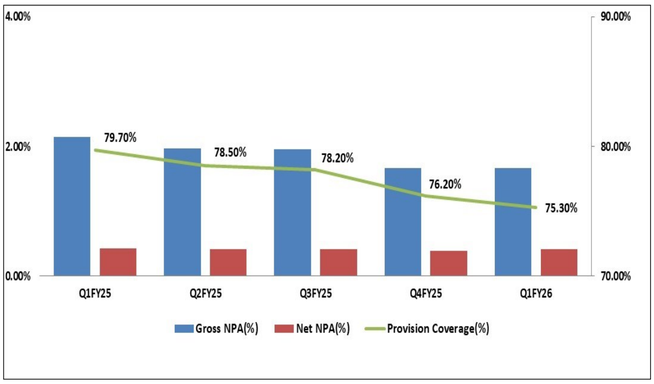
Source: Q1FY26 Press Release, Progressive Research

Exhibit 2: Bifurcation of Loan Book (Rs bn)



Source: Q1FY26 Press Release, Progressive Research

Exhibit 3: GNPA, NNPA and PCR (%)



Source: Q1FY26 Press Release, Progressive Research

Outlook and Recommendations:

The Bank has reported good set of numbers supported by both the interest and non-interest income coupled with healthy NIMs, other income growth, provisioning being in-line and controlled opex. The total income increased 11.85% on a y-o-y basis to Rs514.52bn in Q1FY26. The non-interest income reported 13.7% y-o-y growth. The NII of the Bank grew by 10.6% on a y-o-y basis. Other income grew by a healthy 17% on a q-o-q basis to Rs85bn, led by strong treasury gains and healthy fee income. Compared to 4.41% in Q4FY25 and 4.36% in Q1FY25, the Bank's NIMs stood at 4.34% in Q1FY26. The NIMs contracted marginally by 7bps q-o-q to 4.34% (adjusted for a change in the NIM calculation methodology to number of months from number of days in Q4FY25; where the decline was limited at 4-6bps). The NIMs slipped on comparative basis indicating pressure on the lending spread; and furthermore, the Management expects NIMs to compress a little more in the next quarter as well. The margin trajectory would depend on RBIs policy moves and liquidity in the system. Expansion across the high risk segments of credit cards and personal loans was slow attributed to overall market trends and recalibrated credit norms. The provisions in Q1FY26 were Rs18,150mn, whereas in Q1FY25 they were Rs13,320mn. The standalone net profit increased from Rs110.59bn in Q1FY25 to Rs127.68bn in Q1FY26, a 15.5% growth on a y-o-y basis. In Q1FY26, the Bank has demonstrated strong asset quality by keeping the key ratios at satisfactory levels; while the Bank continues to carry a contingency provisioning buffer of Rs131bn (1.0% of loans). The loan book quality has steadily improved, as seen by the GNPA ratio, which remained steady at 1.67% from the previous quarter and far lower than the 2.15% from the same time last year. At 0.41%, the NNPA ratio was an improvement above 0.43% in Q1FY25 but a slight increase over 0.39% in Q4FY25. The Bank's strong asset profile and operational efficiency were further highlighted by its RoA, which was 2.44%. Overall, the Bank is optimistic about the macro-economic outlook expecting it to be better from H2FY26; with the banking system being the beneficiary of this as the credit demand increases. The Bank's investment in technology has resulted in consistent productivity gains and steady improvement in cost ratios. The Management has reiterated their strategic focus on delivering risk-calibrated, profitable growth while maintaining a strong balance sheet and healthy capital levels. The business banking segment is likely to outpace the broader loan book, supported by strong distribution, digital integration and disciplined portfolio monitoring. The full impact of the 50bps repo rate cut in June would flow through in Q2FY26. The CRR cut benefits will be visible in Q3FY26, likely providing some cushion to NIMs. Overall, we are positive on the workings of the Bank in the current economic conditions and continue to recommend an Accumulate on the stock for a target of Rs1590.

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