

Improvement in operating matrix

■ PAT ahead of estimate; quality of results better than expected

ICICI Bank reported a YoY decline of 35% in PAT to Rs7.4bn in FY09, ahead of our estimate of Rs6.68bn. The key reasons were improvement in margin QoQ and YoY, better-than-expected fee income and significant cost savings.

■ Improvement in CASA; no growth in assets

ICICI Bank's CASA ratio increased to 28.7% in March 2009 from 27.4% in Q3 FY09. Nearly 57% of incremental deposits were CASA. Management targets a 33% ratio by March 2010, which we believe will drive margin improvement. The bank maintained assets at almost the same level as Q3.

■ NPL additions remain high; restructured loans increase

NPLs increased Rs12.5bn QoQ in Q4 FY09. While management indicated that retail additions should ease in the coming quarters, there is a risk of slippage for corporate loans. The total NPL + restructured loans' ratio rose to 7.3% in FY09 versus 5.8% in FY08. We expect this ratio to peak at 10.5% in FY10. Our ABVPS post adjustment for NPLs falls to Rs277/share from Rs344/share.

■ Valuation: retain Buy rating

We raise our 12-month price target 6.7% from Rs500 to Rs535 (by using the residual income model). This reflects: lower rf of 6.5% versus 7%; extending long-term growth phase to 15 years from nine; and changing terminal year ROE to 13.2% from 14.0%. We retain our Buy rating, but expect stock price appreciation to be gradual. Factors that could drive the stock price are an improvement in operating performance and less concern about NPLs.

Highlights (Rsm)	03/08	03/09	03/10E	03/11E	03/12E
Revenues	159,870.04	159,703.40	182,950.55	213,104.52	257,324.73
Pre-tax profits	49,904.94	51,169.70	59,101.43	80,256.12	104,503.86
Net income	41,577.31	37,581.30	42,553.03	57,784.40	75,242.78
EPS (UBS, Rs)	39.92	33.78	38.24	51.93	67.62
Net DPS (UBS, Rs)	11.79	11.00	11.00	12.98	16.91

Profitability & Valuation	5-yr hist av.	03/09	03/10E	03/11E	03/12E
ROE %	-	7.8	8.4	10.6	12.7
P/Op x	10.0	7.0	4.9	4.2	3.4
P/BVPS x	2.1	1.3	0.9	0.9	0.8
PE (UBS) x	16.2	16.6	11.3	8.3	6.4
Net dividend yield %	2.1	2.0	2.5	3.0	3.9

Source: Company accounts, Thomson Financial, UBS estimates. (UBS) valuations are stated before goodwill, exceptional and other special items. Valuations: based on an average share price that year, (E): based on a share price of Rs432.50 on 24 Apr 2009 23:39 HKT

Tabassum Inamdar, CFA

Analyst
tabassum.inamdar@ubs.com
+9122 2286 2025

Parees Purohit

Associate Analyst
parees.purohit@ubs.com
+91-22-2286 2121

Global Equity Research

India

Banks, Ex-S&L

12-month rating **Buy**
Unchanged

12m price target **Rs535.00/US\$21.53**
Prior: Rs500.00/US\$20.12

Price **Rs432.50/US\$17.89 (ADR)**

RIC: ICBK.BO BBG: ICICIB IB

27 April 2009

Trading data (local/US\$)

52-wk range	Rs941.15-262.95/US\$47.30-10.16
Market cap.	Rs480bn/US\$9.93bn
Shares o/s	1,110m (ORD)/555m (ADR)
ADR ratio	1 ADR:2 ORD
Free float	99%
Avg. daily volume ('000)	4,549/110
Avg. daily value (Rsm)	1,599.3/1.6

Balance sheet data 03/10E

Common equity	Rs524bn
P/BVPS x	0.9
Tier one capital ratio	12.8%

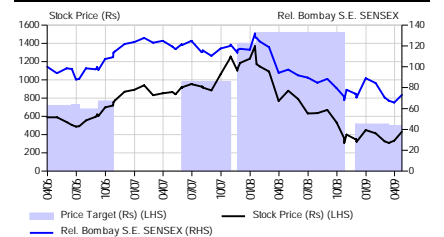
Forecast returns

Forecast price appreciation	+23.7%
Forecast dividend yield	2.7%
Forecast stock return	+26.4%
Market return assumption	11.2%
Forecast excess return	+15.2%

EPS (UBS, Rs)

	03/10E		03/09	Actual
	From	To	Cons.	
Q1E	9.66	9.56	-	6.51
Q2E	9.66	9.56	-	9.09
Q3E	9.66	9.56	-	11.43
Q4E	9.66	9.56	-	6.75
03/10E	38.66	38.24	37.57	
03/11E	54.83	51.93	51.32	

Performance (Rs)



Source: UBS

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ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 12.

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NII growth surprises; up YoY and QoQ

ICICI Bank reported NII growth of 2.9% YoY and 7% QoQ to Rs23.4bn vs. our estimate of a 3% YoY decline. This was driven by net interest margin improvement of 20bp to 2.6% in 4Q FY09 vs. 2.4% in 3Q FY09 and 4Q FY08, as total assets declined 5% YoY. Improvement in the CASA ratio and probable lower cost of deposits led to the improvement.

Deposits declined 10% YoY but were up 4.4% QoQ to Rs2.18trn. In Q4 the bank took Rs92.8bn in deposits, of which 57% was CASA. After declining in 3Q, CASA increased 9% QoQ to Rs627bn, taking the ratio to 28.7% from 27.0% in the previous quarter. Management targets a CASA ratio of 33% by March 2010. The bank recorded a small increase in the loan book of 2.7% QoQ to Rs2.18trn.

We estimate ICICI Bank's NII growth in FY10 and FY11 at 13% and 15%, respectively. This will likely be driven by: flat loan growth; improvement in CASA ratio to 33%; shift of deposits to retail from wholesale; and lower cost of deposits for both wholesale and retail. We assume a margin improvement of 43bp YoY in FY10 and 32bp in FY11.

Better-than-expected fee and treasury income

ICICI Bank reported a 29% YoY and 33% QoQ decline in non-interest income to Rs16.7bn (vs. our estimate was Rs15.66bn). The bank earned fee income of Rs13.43bn (vs. our estimate of Rs12.36bn), down 30% YoY and flat QoQ. Treasury gains booked were Rs2.14bn vs. Rs1.6bn last year.

Operating expenses down; targeting flat growth

For the past two years, ICICI Bank has focused on cutting expenses. In Q4, the bank reported expenses at Rs16.5bn (down 23% YoY and 4.4% QoQ), far lower than our estimate of Rs19.5bn. Management said it is redeploying branch staff and expects to keep costs under control despite the significant expansion of the branch network. The bank will add 580 new branches this year. We believe it will be a challenge to reduce costs and assume a 20% increase in FY10.

NPLs and restructured loans increase

Gross NPLs increased marginally 3% QoQ to Rs99.29bn, and net NPLs to Rs46.19bn. Gross and net NPL ratios were 4.3% and 2.1%, respectively. Incremental slippage this quarter was Rs12.5bn; however, additions to gross NPL were low due to a Rs4bn write-off and a Rs1.5bn sell-down of NPLs to an asset reconstruction company.

In addition, the bank restructured Rs11.15bn of loans during the quarter, taking total restructured loans to Rs61bn. The bank also has pending applications of Rs20bn for restructuring. The total gross NPLs + restructured loan ratio increased to 7.3% in FY09 from 5.3% in FY08 and net to 4.9% in FY09 from 3.7% in FY08. Restructuring loans to corporate book, which was 5.9% in FY08, rose to 8.7% in FY09 (including Rs20bn of loans pending restructuring).

We expect the gross NPL (including restructured loans) ratio to peak at around 10.6%. We believe the bank will start seeing the benefit of a slowing retail book over the next two quarters. Corporate NPLs, however, could rise and we assume NPLs to increase 43% whereas the overall loan book should remain flat.

Management disclosed details of loans of Rs32.18bn sold to the Asset Reconstruction Company, on which it could carry the risk of write-offs. We understand that the loans are also MTM every quarter based on valuation provided by the Asset Reconstruction Company. In addition, the bank has credit derivatives exposure of Rs57.12bn, including that held off-balance-sheet, the underlying of which are Indian corporates. Management indicated there has been no meaningful restructuring of the overseas book.

Table 1: ICICI Bank quarterly income statement (Rs m)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	YoY growth (%)	FY2008	FY2009	FY 2009 YoY
Interest income	80,293	78,918	78,350	78,361	75,297	(6)	307,883	310,926	1
Interest on advances	58,262	57,542	57,114	56,584	51,998	(11)	226,010	223,238	(1)
Interest on investments	20,088	18,882	17,941	18,468	18,740	(7)	74,660	74,031	(1)
Balance with RBI	1,943	2,494	3,295	3,308	4,559	135	7,213	13,657	89
Interest expenses	59,498	58,021	56,874	58,457	53,909	(9)	234,842	227,259	(3)
Net interest income	20,795	20,898	21,476	19,904	21,388	3	73,041	83,666	15
yoy growth (%)	11	41	20	2	3			15	
NIM (incl. amortization expenses)	2.40	2.40	2.40	2.40	2.60		2.20	2.40	
Total asset growth	16.0	10.4	5.5	(0.6)	(5.1)				
Non-interest income	23,617	15,382	18,773	25,145	16,737	(29)	88,108	76,037	(14)
Commission and fees	19,280	19,580	18,760	13,470	13,430	(30)	66,270	65,240	(2)
Investment income	1,640	(5,940)	(1,530)	9,760	2,140	30	8,150	4,430	(46)
Other income	2,700	1,742	1,540	1,920	-		13,688	6,367	(53)
Total income	44,411	36,279	40,250	45,050	38,125	(14)	161,149	159,703	(1)
Total income excluding treasury	42,771	42,219	41,780	35,290	35,985	(16)	152,999	155,273	1
Operating expenses	21,505	19,139	17,400	17,341	16,571	(23)	81,542	70,451	(14)
Salary	4,666	5,232	4,881	5,030	4,574	(2)	20,789	19,717	(5)
Other costs	13,255	11,624	11,075	11,282	11,455	(14)	45,325	45,445	0
DMA cost	3,584	2,283	1,445	1,030	531	(85)	15,427	5,289	(66)
Preprovision profit	22,907	17,140	22,849	27,708	21,555	(6)	79,607	89,252	12
Provisions	9,475	7,925	9,235	10,077	10,845	14	29,046	38,083	31
Profit before tax	13,432	9,215	13,614	17,631	10,709	(20)	50,561	51,170	1
Tax	1,933	1,935	3,472	4,910	3,821	98	16,117	18,305	14
Net profit	11,498	7,280	10,142	12,722	7,438	(35)	41,577	37,581	(10)
yoy growth (%)	39	(6)	1	3	(35)			(10)	
Effective tax rate(%)	14	21	26	29	31		18	27	
PBT-Invt income+NPL provisions	20,267	23,080	23,824	17,948	8,569	(58)	71,457	84,822	19

Source: Company data, UBS estimates

Table 2: Key balance sheet items (Rs bn)

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	YoY growth (%)	QoQ growth (%)
Deposits	2,443	2,345	2,234	2,091	2,183	(11)	4
Savings	391	435	432	386	410	5	6
Current	247	212	237	190	216	(12)	14
CASA ratio (%)	26.1	27.6	30.0	27.4	28.7		
Advances	2,256	2,241	2,220	2,125	2,183	(1)	3
Retail loans	1,317	1,320	1,225	1,145	1,062	(19)	(7)
Retail loans to advances (%)	58.4	59	55	54	49		
Housing loans	668	656	625	607	573	(14)	(5)
Auto loans	178	-	147	149	138	(22)	(7)
Two wheelers	27	-	25	23	21	(21)	(7)
Personal loans	132	120	119	115	91	(31)	(20)
Credit cards	84	85	86	80	74	(12)	(7)
International lending	477	566	577	553	546	14	(1)

Source: Company data, UBS estimates

Table 3: Other key details

	4QFY08	1QFY09	2QFY09	3QFY09	4QFY09	YoY growth (%)	QoQ growth (%)
Yield management (%)							
Cost of deposit	7.3	7.2	7.0	7.4	-		
Cost of funds	7.3	-	6.8	7.2	7.0		
NIM	2.4	2.4	2.4	2.4	2.6		
Asset quality details							
Gross NPLs (Rs bn)	84	93	103	96	99	19	3
Gross NPLs to advances (%)	3.7	4.1	4.6	4.1	4.3		
Net NPLs (Rs bn)	36	41	43	45	46	30	3
Net NPLs to advances (%)	1.5	1.8	1.8	2.0	2.1		
Restructured assets (Rs bn)	48	47	NA	50	61	26	22
Restructured loans + Gross NPLs	132	140	151	146	160	22	9
% of total loans	5.8	6.2	6.8	6.9	7.3		
Restructured loans + Net NPLs	84.0	88.0	91.0	94.7	107.2	28	13
% of total loans	3.7	3.9	4.1	4.5	4.9		
Gross NPLs in retail (Rs bn)	55	63	70	66	71	30	9
Non collateral loans (Rs bn)	37	42	47	49	54	45	
NPLs non-collateral loans (%)	17.1	20.5	23.1	25.3	32.3		
NPL ratio collateral loans (%)	1.6	1.9	2.2	1.7	2.0		
Net NPLs in retail (Rs bn)	24.0	16	27	29	31	30	7
Non collateral loans (Rs bn)	16.1	10.8	15.3	16.0	17.2	7	7
NPLs non-collateral loans (%)	7.4	5.3	7.4	8.2	10.4		
Capital adequacy details							
CAR (%)	14.0	13.4	14.0	15.6	15.5		
Tier I (%)	11.8	11.3	11.0	12.1	11.8		
Tier II (%)	2.2	2.1	3.0	3.5	3.7		

Source: Company data, UBS estimates

Subsidiaries

ICICI Bank UK reported a net profit of US\$6.8m in FY09. However this number was inflated as the bank has transferred securities from HFT to AFS and from AFS into loans, leading to profit being higher by US\$58.5m. The bank also took a net MTM hit of US\$163.9m through the reserves, which again would have been higher by US\$10m if it was not for the above transfer. The total amount of securities transferred to loans was US\$400m. For the purpose of our stress-test analysis, we assume that these are securities, on which we assume higher MTM/NPLs than loans.

Total assets declined QoQ to US\$7.3bn from US\$7.6bn in Q3; however, advances rose 20% to US\$3.3bn, as the bank transferred securities to the loan book. Nearly 63% of total liabilities at the UK operation are funded by deposits, with the proportion of retail term deposits to total deposits increasing to 58% in March 2009 from 16% in March 2008. The bank's CAR was 18.4%.

ICICI Bank Canada reported a net profit of C\$33.9m in FY09, with Q4 being adversely affected by an MTM hit (9M net profit was C\$32.9m). Total assets remained stable at C\$6.4bn (down 1.5% QoQ). Around 80% of the balance sheet was funded by deposits—70% term (which is largely retail) and 10% demand deposits. The bank's CAR was 19.9%.

ICICI Bank Eurasia reported net profit of US\$2m in FY09. Total assets were down 43% QoQ to US\$441m both due to a change in currency valuation and the bank's strategy to degrow its book. Of the total assets, 51% were loans to corporates and banks, 18% retail and 20% liquid assets. The bank's CAR was 15.1 %.

Table 4: Details of ICICI Bank's UK subsidiary (US\$ m) and Canadian subsidiary (C\$ m)

	2QFY09	% of total assets	3QFY09	% of total assets	qoq chg	4QFY09	% of total assets	qoq chg
ICICI Bank UK								
CAR	18.4		18.6			18		
Total Deposits (USD mn)	4,900	56	4,100	54	-16.3	4,599	63	12.2
Term	1,911	22	2,214	29	15.9	2,774	38	25.3
CASA	2,989	34	1,886	25	-36.9	1,825	25	-3.2
Total Assets (USD Mn)	8,700	100	7,600	100	-12.6	7,300	100	-3.9
Loans & Advances to Customers	2,523	29	2,736	36	8.4	3,285	45	20.1
Cash & Liquid Securities	2,088	24	1,216	16	-41.8	1,095	15	-10.0
Bonds / notes of Financial Institutions	2,610	30	2,356	31	-9.7	2,044	28	-13.2
India Linked Investments	522	6	456	6	-12.6	292	4	-36.0
ABS	609	7	456	6	-25.1	292	4	-36.0
Other Assets & Investments	435	5	380	5	-12.6	292	4	-23.2
ICICI Bank Canada								
CAR	15.4		16.1			19.9		
Total Deposits (CAD mn)	4,800	87	5,400	83	12.5	5,120	80	-5.2
Term	4,128	75	4,806	74	16.4	4,480	70	-6.8
CASA	672	12	594	9	-11.6	640	10	7.7
Total Assets (CAD Mn)	5,500	100	6,500	100	18.2	6,400	100	-1.5
Loans to Customers	2,530	46	3,575	55	41.3	4,096	64	14.6
Cash & Liquid Securities	1,265	23	1,300	20	2.8	896	14	-31.1
Federally Insured Mortgage	1,210	22	1,105	17	-8.7	896	14	-18.9
India Linked Investments	165	3	195	3	18.2	192	3	-1.5
ABS	165	3	130	2	-21.2	128	2	-1.5
Other Assets & Investments	165	3	195	3	18.2	192	3	-1.5

Source: Company data

Stress-test analysis

Based on concerns relating to NPLs on both the domestic and international book, we provide a stress-test analysis of higher NPLs on ICICI Bank's book. Under our stress-test assumptions, we estimate the standalone bank's BVPS will fall in the worse case to Rs212 against our base case of Rs277. For the purpose of our analysis, we assume gross NPL ratio at 13.7% vs. the current declared 5.8% and the NPL ratio on the international book at 23%. Tier 1 ratio under this scenario would fall to 9% from 11% currently. The stock trades at 0.9x APBR FY10 under our base case and at 1.3x in our stress-test scenario.

Table 5: Domestic book write-off calculation

Rs bn	FY09		FY10E		FY11E	
	Base case	Stress case	Base case	Stress case	Base case	Stress case
Gross NPLs	99	139	298	139	357	
Provisions	53	79	79	101	101	
Net NPLs	46	60	219	38	257	
Restructured loans	61	91		91		
Total net NPLs + restructured loans	107	151	219	129	257	
Additional w/off assumed	38	53	110	42	128	
Post tax w/off	25	34	71	27	83	
per share (Rs)	13	31	64	24	75	
Gross NPL + restructured loans (%)	7.3	10.6	13.7	9.7	15.0	
Net NPL + restructured loans (%)	4.9	7.0	10.1	5.4	10.8	
Coverage ratio (%)	57	57	63	62	64	

Source: Company data, UBS estimates

Table 6: International book write-off calculation

Rs bn	Current Book	Estimated NPLs (Rs Bn)		Estimated NPL ratio assumed (%)
		Stress case	Stress case	
UK	389	112		
Advances	159	32		20%
Cash	57	-		0%
Investments	173	80		
Bonds / notes of Financial Institutions	119	48		40%
India Linked Investments	15	3		20%
ABS	23	23		100%
Other Assets & Investments	15	6		40%
Canada	267	44		
Advances	171	34		20%
Cash	37	-		0%
Investments	59	10		
Federally Insured Mortgage	37	-		0%
India Linked Investments	8	2		20%
ABS	5	5		100%
Other Assets & Investments	8	3		40%
Russia	23	23		100%
International investments on Indian book	531	53		10%
Total	1,210	232		
Write off (Rs Bn)		116		
Post tax write off (Rs Bn)		75		
Per share (Rs)		67.78		

Source: Company data, UBS estimates

Table 7: Adjusted book value calculation

Per Share (Rs)	FY09	FY10E		FY11E		Change (%)
		Base case	Stress case	Base case	Stress case	Stress case
BVPS Standalone	336.45	343.85	343.85	371.60	371.60	-
Adjustments post tax						
NPLs domestic	13.49	30.95	64.06	24.47	74.98	206.5
International	21.97	35.34	67.78	35.34	67.78	91.8
ABVPS	300.99	277.56	212.01	311.79	228.85	(26.6)

Source: Company data, UBS estimates

Table 8: SOTP sensitivity for ICICI Bank (Rs per share)

	ICICI Share (%)	Base Case (Rs/share)	Stress case (Rs/share)
Value of ICICI standalone	100	348	283
Subsidiaries			
ICICI Prudential Life	74	82	82
General Insurance	74	13	13
Mutual Fund	51	9	9
ICICI Securities Ltd	100	13	13
ICICI Homes Ltd	100	16	16
ICICI Bank UK	100	17	0
ICICI Bank Canada	100	15	0
ICICI Bank Euroasia	100	0	0
Venture capital/MF	100	11	11
NSE	6	6	6
Value of subsidiaries		185	154
Value of company		533	436
Current price (24 Apr'09)		433	433
% upsides/(downside)		23	1

Source: Company data, UBS estimates

Table 9: ICICI Bank financial ratios (year ending March)

	2008	2009E	2010E	2011E	2012E
Growth rates (%)					
Net loan	15.2	(3.2)	(0.7)	9.9	12.2
Total Asset	16.0	(5.1)	0.6	7.2	8.2
Income statement					
Net interest income	23.6	2.0	13.1	14.8	21.5
Loan loss provisions	25.1	41.0	2.8	(12.8)	11.1
Non-interest income	28.4	(13.1)	16.1	18.3	20.0
Total income	26.0	(5.8)	14.6	16.5	20.8
Operating expenses	21.9	(13.6)	20.2	16.6	16.4
Asset management measures (%)					
Interest on advances	10.7	10.0	10.1	10.3	10.6
Corporate loans	8.9	8.4	8.6	8.9	8.9
Retail loans	12.4	11.5	11.8	12.0	12.7
Interest on investments	8.8	7.7	7.0	6.9	6.9
Yield on average earning assets	9.3	8.9	8.7	8.9	9.1
Interest on deposits	7.7	7.1	6.2	6.0	5.8
Average cost of funds	7.3	7.0	6.4	6.2	6.1
Spread	1.9	1.8	2.3	2.7	3.1
Net interest income/earning assets	2.4	2.4	2.8	3.1	3.5
New provisions/average net loans	1.3	1.7	1.8	1.5	1.5
Profitability measures (%)					
Interest income/total income	48.4	52.4	51.7	51.0	51.3
Other income to total income	51.6	47.6	48.3	49.0	48.7
Fee income to total income	33.1	40.9	38.7	40.5	41.4
Operating expenses/total income	48.1	44.1	46.3	46.3	44.6
ROA decomposition - % of average assets					
Net interest income	2.2	2.1	2.5	2.7	3.1
Loan loss provisions	0.7	1.0	1.0	0.9	0.9
Net other income	2.3	2.0	2.3	2.6	2.9
Operating expenses	2.2	1.8	2.2	2.5	2.7
(1- tax rate)	82.2	73.4	72.0	72.0	72.0
ROA	1.1	1.0	1.1	1.5	1.8
Average assets/average equity	10.5	8.1	7.5	7.3	7.2
ROE	11.7	7.8	8.4	10.6	12.7

Source: Company data, UBS estimates

Table 10: ICICI Bank income statement & balance sheet (year ending March)

	2008	2009E	2010E	2011E	2012E
Income statement (Rs mn)					
Total interest income	316,860	310,926	293,722	308,522	342,868
Total interest expense	234,842	227,259	199,077	199,898	210,940
Net interest income	82,017	83,666	94,645	108,623	131,928
Loan loss provisions	27,010	38,083	39,163	34,135	37,930
Net interest income (after prov.)	55,007	45,584	55,482	74,488	93,998
Other income	87,452	76,037	88,306	104,481	125,397
Net fee income	56,053	65,240	70,756	86,326	106,576
Profit on sale of loans	1,259	280	-	-	-
Net capital gains	18,121	4,430	6,000	6,000	6,000
Miscellaneous income	656	1,000	1,000	1,000	1,000
Operating expenses	81,542	70,451	84,686	98,714	114,891
Employee expense	20,789	19,717	22,637	26,768	31,500
Net Profit	41,577	37,581	42,553	57,784	75,243
% growth	33.7	(9.6)	13.2	35.8	30.2
Balance sheet (Rs mn)					
Cash & Bank balance	380,411	299,660	240,426	254,179	270,496
Net value of investments	1,114,543	1,030,580	1,105,753	1,123,125	1,147,907
Net loans and advances	2,256,161	2,183,110	2,168,293	2,383,020	2,674,333
Corporate/other loans	1,129,531	1,121,110	1,153,855	1,331,297	1,537,047
Total retail loans	1,126,630	1,062,000	1,014,438	1,051,722	1,137,286
Fixed assets	41,089	41,880	64,075	68,548	72,949
Other assets	205,746	237,780	237,780	261,558	261,558
Total assets	3,997,951	3,793,010	3,816,326	4,090,429	4,427,242
Deposits	2,444,311	2,183,480	2,219,750	2,384,273	2,607,763
Current	246,913	216,320	239,006	271,307	305,466
Fixed	1,806,505	1,556,800	1,501,587	1,545,657	1,663,562
Savings	390,893	410,360	479,157	567,308	638,734
Borrowings and bills payable	892,994	928,050	883,212	955,408	1,006,180
Other liabilities	192,444	182,650	186,303	186,303	195,618
Total liabilities	3,533,249	3,297,680	3,292,765	3,525,984	3,809,561
Paid-up capital	11,127	11,127	11,127	11,127	11,127
Reserves & surplus	453,575	484,200	512,434	553,318	606,554
Total shareholders' equity	464,702	495,327	523,561	564,445	617,681

Source: Company data, UBS estimates

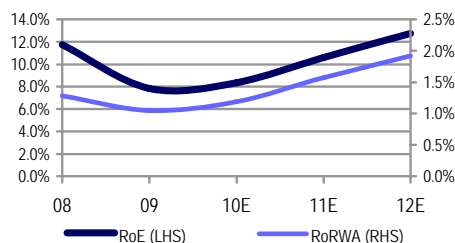
ICICI Bank

Per share (Rs)	3/08	3/09	3/10E	3/11E	3/12E
EPS (stated)	39.92	33.78	38.24	51.93	67.62
EPS (UBS adjusted)	39.92	33.78	38.24	51.93	67.62
GOPS	75.21	80.21	88.31	102.81	128.01
DPS	11.79	11.00	11.00	12.98	16.91
BVPS (stated)	417.64	445.17	470.54	507.28	555.13
BVPS (adjusted)	417.64	445.17	470.54	507.28	555.13
Profit & Loss (Rsm)					
Net interest income	73,041.04	83,666.20	94,644.92	108,623.21	131,928.16
Other income	<u>86,829.00</u>	<u>76,037.20</u>	<u>88,305.63</u>	<u>104,481.31</u>	<u>125,396.57</u>
Total revenues	159,870.04	159,703.40	182,950.55	213,104.52	257,324.73
Expenses	(81,541.82)	(70,451.10)	(84,686.49)	(98,713.56)	(114,890.72)
Operating profit	78,328.22	89,252.30	98,264.06	114,390.96	142,434.00
Provisions and other items	(28,423.28)	(38,082.60)	(39,162.63)	(34,134.84)	(37,930.14)
Profit before tax	49,904.94	51,169.70	59,101.43	80,256.12	104,503.86
Pre-exceptional net income	41,577.31	37,581.30	42,553.03	57,784.40	75,242.78
Capital dynamics (Rsm)					
Risk-weighted assets	3,577,585.03	3,589,079.89	3,573,798.23	3,767,544.81	4,072,614.89
Tier one capital	420,724.00	422,110.00	455,666.80	489,756.52	540,330.86
Total capital	499,585.00	553,700.00	563,775.81	603,270.97	659,521.03
Tier one ratio	11.8%	11.8%	12.8%	13.0%	13.3%
Total capital ratio	14.0%	15.4%	15.8%	16.0%	16.2%
Net profit after tax	41,577.31	37,581.30	42,553.03	57,784.40	75,242.78
<i>Tier 1 requirement</i>					
Less: Working capital requirement					
Less: Dividends	<u>13,773.69</u>	<u>14,318.95</u>	<u>14,318.95</u>	<u>16,900.49</u>	<u>22,006.63</u>
Surplus capital generated					
Surplus capital generation ratio					
Balance sheet (Rsm)					
Assets	3,997,950.76	3,793,010.00	3,816,326.20	4,090,428.69	4,427,242.20
Customer loans	2,316,191.25	2,229,300.00	2,253,645.45	2,502,507.08	2,831,750.48
Customer deposits	2,444,310.50	2,183,480.00	2,219,750.43	2,384,273.11	2,607,762.81
Funds under management					
Loans : assets	57.9%	58.8%	59.1%	61.2%	64.0%
Deposits : assets	61.1%	57.6%	58.2%	58.3%	58.9%
Loans : deposits	94.8%	102.1%	101.5%	105.0%	108.6%
Shareholders funds : assets	11.62%	13.06%	13.72%	13.80%	13.95%
Asset quality (Rsm)					
Non-performing assets	75,680.00	99,290.00	139,006.00	139,006.00	152,906.60
Total risk reserves	40,040.00	53,100.00	78,555.71	100,743.35	125,397.95
NPLs : loans	3.27%	4.45%	6.17%	5.55%	5.40%
NPL coverage	53%	53%	57%	72%	82%
Provision charge : average loans	1.25%	1.68%	1.75%	1.44%	1.42%
Net NPLs : shareholders' funds	7.7%	9.3%	11.5%	6.8%	4.5%
Profitability					
Net interest margin (avg assets)	1.96%	2.15%	2.49%	2.75%	3.10%
Provisions : operating profit	36.3%	42.7%	39.9%	29.8%	26.6%
RoE	11.7%	7.8%	8.4%	10.6%	12.7%
RoAdjE					
RoRWA	1.28%	1.05%	1.19%	1.57%	1.92%
RoA	1.12%	0.96%	1.12%	1.46%	1.77%
Productivity					
Cost : income ratio	51.0%	44.1%	46.3%	46.3%	44.6%
Costs : average assets	2.2%	1.8%	2.2%	2.5%	2.7%
Compensation expense ratio	21.0%	18.1%	18.7%	19.0%	18.1%
Momentum					
Revenue growth	+28.8%	-0.1%	+14.6%	+16.5%	+20.8%
Operating profit growth	+37.0%	+13.9%	+10.1%	+16.4%	+24.5%
Net profit growth	+33.7%	-9.6%	+13.2%	+35.8%	+30.2%
Dividend growth	+17.6%	-6.7%	+0.0%	+18.0%	+30.2%
Value*					
UBS bank valuation					
Leveraged P/E					
Risk tendency P/E					
Merger P/E					
Market capitalisation (Rsm)	1,086,231.89	620,773.20	480,075.00	480,075.00	480,075.00
Conventional valuation					
Market cap./Revenues	3.0x	3.0x	2.6x	2.3x	1.9x
Market cap./Operating profit	6.1x	5.4x	4.9x	4.2x	3.4x
P/E (stated)	10.8x	12.8x	11.3x	8.3x	6.4x
P/E (UBS adjusted)	10.8x	12.8x	11.3x	8.3x	6.4x
Dividend yield (net)	2.73%	2.54%	2.54%	3.00%	3.91%
P/BV (stated)	1.0x	1.0x	0.9x	0.9x	0.8x
P/BV (adjusted)	1.0x	1.0x	0.9x	0.9x	0.8x

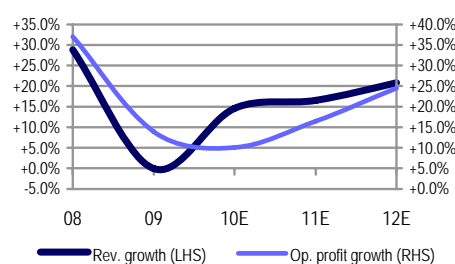
Source: UBS estimates, * Historical, current, & future valuations are based on a share price of Rs432.50 as at close on 24 Apr 2009

ICICI Bank is the largest private sector bank and the second largest bank in India. It has an asset base of Rs3.85trn. The bank had a network of 1,400 branches at the end of September 2008.

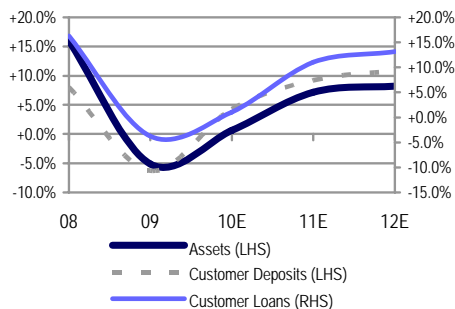
Profitability (RoE & RoRWA)



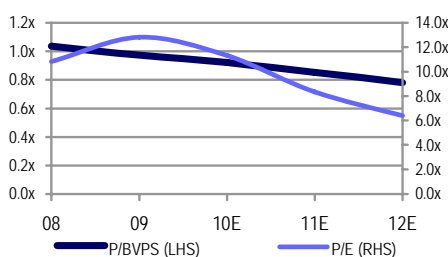
Momentum (Revenue & Operating profit growth)



Balance Sheet Growth



Value (P/Adj. BVPS & P/Adj. EPS)



■ ICICI Bank

ICICI Bank is the largest private sector bank and the second largest bank in India. It has an asset base of Rs3.85trn. The bank had a network of 1,400 branches at the end of September 2008.

■ Statement of Risk

A sustained economic slowdown could impact the banking and finance sector on several fronts: lead to a slowdown in credit, increase NPL risk, impact fee income and put pressure on NIM.

■ Analyst Certification

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UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage ¹	IB Services ²
Buy	Buy	51%	36%
Neutral	Hold/Neutral	37%	31%
Sell	Sell	12%	22%
UBS Short-Term Rating	Rating Category	Coverage ³	IB Services ⁴
Buy	Buy	less than 1%	43%
Sell	Sell	less than 1%	36%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 March 2009.

UBS Investment Research: Global Equity Rating Definitions

UBS 12-Month Rating	Definition
Buy	FSR is > 6% above the MRA.
Neutral	FSR is between -6% and 6% of the MRA.
Sell	FSR is > 6% below the MRA.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

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UBS Securities India Private Ltd: Tabassum Inamdar, CFA; Pares Purohit.

Company Disclosures

Company Name	Reuters	12-mo rating	Short-term rating	Price	Price date
ICICI Bank ^{2, 16}	ICBK.BO	Buy	N/A	Rs432.50	24 Apr 2009

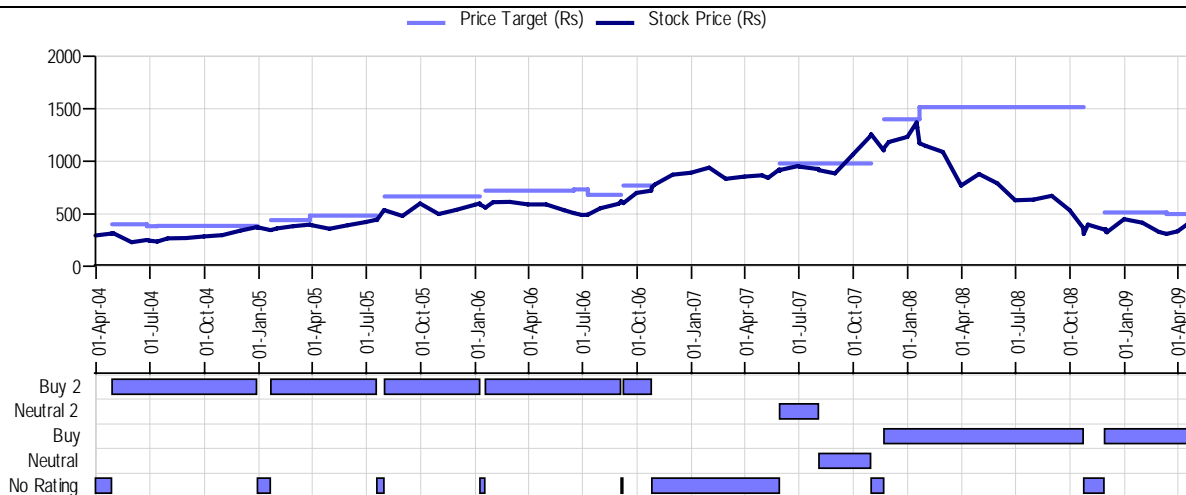
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

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ICICI Bank (Rs)



Source: UBS; as of 24 Apr 2009

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

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