

Conference Call Transcript for Q3-2007 analyst call

January 20, 2007 at 1230 hrs

**CORPORATE PARTICIPANTS**

**Rakesh Jha**  
General Manager - ICICI Bank

**Anindya**  
ICICI Bank

**CONFERENCE CALL PARTICIPANTS**

**Kashyap Zaveri**  
Emkay Shares - Mumbai

**Anand Shanbhag**  
HSBC - Mumbai

**Sunil**  
Birla Sun Life - Mumbai

**Tabassum**  
Kotak Securities- Mumbai

**Suresh Ganpati**  
Deutsche Bank - Mumbai

**Aditya Narayan**  
Citi Group - Mumbai

**Rajeev Verma**  
DSP Merrill Lynch - Mumbai

**Ajit Dange**  
UTI Securities - Mumbai

**Manish Karwa**  
Motilal Oswal Securities - Mumbai

**Mahrukh**  
Lehmann Brothers - Mumbai

**Madhuchanda**  
IL&FS Investsmart - Mumbai

**PRESENTATION**

**Shikha – Moderator**

Good afternoon ladies and gentlemen, I am Shikha the moderator for this conference. I welcome you all to the conference call of ICICI Bank Limited. Mr. Rakesh Jha, General Manager, ICICI Bank Limited is your call leader today. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for the participants in the conference. Now I hand over the floor to Mr. Rakesh Jha. Thank you and over to you, Mr. Jha.

**Rakesh Jha – General Manager – ICICI Bank**

Hello everyone. This is Rakesh here. I have Anindya and Rupesh with me. I am very sorry for the delay because the board meeting ended just now so we had to wait for that and we have our EGM for the Sangli Bank merger today, so we may have to actually close the call by about 1:15 or 1:20. I think you would not have got the press release and the presentation as of now because we have just sent it. So I will just go in slightly more

detail in the presentation and then we can do a quick Q&A.

For the quarter, profit increased by 42% to Rs. 9.10 billion, now Rs. 6.40 billion in Q3 last year. There was a 32% increase in NII to Rs. 17.09 billion from Rs. 12.96 billion in Q3 2006. Fee income increased by 53% to Rs. 13.45 billion from Rs. 8.81 billion. There was a 65% increase in operating profit to Rs. 19.76 billion from Rs. 11.94 billion last year. For the nine months period profit after tax increased by 31% to Rs. 22.85 billion from Rs. 17.50 billion.

On the balance sheet the total advances grew by 44% to Rs. 1.72 trillion. There was 73% growth in one portfolio of international branches to about Rs. 208.00 billion. There was a 83% growth in loan portfolio of the international subsidiaries that is mainly UK and Canada to Rs. 96.77 billion. The retail portfolio grew by 50% from about Rs. 784.00 billion to Rs. 1.17 trillion. The deposit growth was 47% year-on-year from Rs. 1.33 trillion to about Rs. 1.97 trillion. In the P&L the other key items are operating expenses were Rs. 35.20 billion for the nine months, which was a 42% growth. It was Rs. 12.89 billion for Q3, which was a 43% year-on-year growth. DMA expenses for nine months was Rs. 11.01 billion, which was a 36% growth year-on-year, and for the quarter was Rs. 3.83 billion, which was a 27% growth from last quarter. The fee income was Rs. 35.85 billion for nine months, which was a 53% growth and for the third quarter it was Rs. 13.45 billion, which was also 53% growth.

In fee income we have included the incomes from treasury products and services, a part of which was earlier included in treasury income. It largely relates to customer transactions relating to derivatives. The Forex transactions were earlier included in fee income, but we have now also included the customer transaction on derivative accounts in the fee income.

The treasury income for nine months was Rs. 5.68 billion, a growth of 24% year-on-year. For the quarter it was Rs. 3.10 billion, a growth of 131% over the last quarter that was Rs. 1.34 billion. The provisioning and write off increased to Rs. 20.83 billion for nine months, which was about a 100% increase and for the third quarter it was Rs. 8.91 billion. This includes standard asset provision of Rs. 1.44 billion in the current quarter, which includes the catchup on the higher general provisioning of 1%. If you recall in the third quarter of last year there was a one-time write back of about Rs. 1.70 billion, which was taken on account of reassessment of overall provisioning. So to that extent the write back in this quarter is comparatively much lower than it was in the quarter in 2006.

In addition, we have made a provision of about Rs. 0.85 billion for potential losses pertaining to the fraud in warehouse recipient financing products for agricultural credit. Just to give a brief view further on that, it basically relates to the warehouse receipt financing that we are doing. This portfolio for the bank is in total about Rs. 17.00 billion. In this product, financing is provided to farmers and traders on the basis of receipt for sold goods issued by warehouse owners and managers, and warehouses could be state-owned warehouses or private warehouses. The bank basically appoints M&C (management and collection) agents who market the products and we also appoint collateral management agencies to monitor the goods in the warehouses.

During the course of the routine review and internal audit by the business, we discovered certain irregularities in terms of the goods that were stored in the warehouses and it was basically due to do fraudulent collusion between the collection agents and the collateral management staff. We have currently provided for all the loans where we have discovered a fraud and whatever recovery we get from these loans are not being taken into consideration, so we have made 100% provision for all these loans. We do expect certain recoveries from these loans to come, but we have not taken into consideration those recoveries currently. No employee of the bank has been indicted in this matter and the issue came to light during an internal review process that I mentioned.

We continue to see rural banking as a major focus area. The year-on-year growth on the rural business was about 40% at December 31<sup>st</sup>. As you know, a large part of the growth actually comes in the fourth quarter and we do expect to see some growth on rural portfolio in the fourth quarter. Provisioning also includes about Rs. 2.24 billion of amortization and government securities in Q3 2007. For nine months, the number is Rs. 7.33 billion. The profit before tax for the quarter is Rs. 10.85 billion and for the 9 months is Rs. 27.36 billion. The tax for Q3 is Rs. 1.75 billion and for 9 months is Rs. 4.51 billion.

In terms of the balance sheet, the savings deposits are about Rs. 289.00 billion and current deposits for about Rs. 181.00 billion. Saving deposits has seen a growth of over 50% on a year-on-year basis.

In terms of the key ratios for the bank, the return on equity is about 15% for the current quarter, for the 9 months' period, it is about 13%. The book value per share is Rs. 273. The net interest margin is about 2.6% for the current quarter and 2.5 for the 9-month period. The cost to income ratio for the 9 months' period is 37.3%. The cost to average assets is about 1.7% and the fee to income ratio is about 38% for the 9 months ended December 31<sup>st</sup>.

On the asset quality, the gross NPAs at December 31<sup>st</sup> are about Rs. 43.50 billion, the cumulative write-off and provisions are about close to Rs. 25.00 billion leading to net NPAs of Rs. 18.57 billion, which is about 1% of our total customer asset portfolio. Within the total gross NPAs, the retail NPAs are about Rs. 25.40 billion of which the non-collateralized products and that is basically the personal loans and credit cards account for about 53% of our gross retail NPAs. The net retail NPAs at December 31<sup>st</sup> is Rs. 12.60 billion, again of which the noncollateralized products account for about 44% of the total retail NPAs.

On the overall retail portfolio, the non-collateralized products account for about 14% of the total retail portfolio. The net restructured loans are about Rs. 49.73 billion at December 31<sup>st</sup>. The total capital adequacy for the bank at December 31<sup>st</sup> was 13.37% for tier I of 8.63% and tier II of 4.74%. On the basis of the proposed Basel II guidelines, tier I will be about close to 9.5% at December 31<sup>st</sup>.

Now we can move to the Q&A.

**Shikha - Moderator**

Sure sir. We will now begin the question and answer interactive session for the conference participants connected to the Airtel audio conference service. Participants who wish to ask questions may please press "\*" "1" on their touchtone enabled telephone keypad. On pressing "\*" "1", participants will get a chance to present their questions on a first-in-line basis. To ask a question, please press "\*" "1" now. The first question comes from Mr. Kashyap Zaveri from Emkay Shares, Mumbai. Mr. Zaveri, you may ask your question now.

**Kashyap Zaveri – Emkay Shares - Mumbai**

Hi. Rakesh. Can you give us the breakup of retail loans for the current quarter as well as the same quarter last year?

**Rakesh Jha – General Manager – ICICI Bank**

The home loans is about Rs. 59700. billion. Auto loans is about Rs. 194.00 billion. Commercial business is about Rs. 140.00 billion. Two-wheelers is about Rs. 27.00 billion. Professional equipment is about Rs. 11.00 billion. Dealer funding is about Rs. 30.00 billion. Personal loans are about Rs. 108.00 billion. Credit cards is about Rs. 46.00 billion.

**Kashyap Zaveri – Emkay Shares - Mumbai**

Okay, and the same number in the same quarter last year?

**Rakesh Jha – General Manager – ICICI Bank**

Same quarter last year, home loans was Rs. 397.00 billion. Auto loans was about Rs. 160.00 billion. Commercial business was Rs. 91.00 billion. Two-wheelers were about Rs. 17.00 billion. Professional equipment was Rs. 8.00 billion. Personal loans in December '05 were Rs. 40.00 billion. Credit cards was about Rs. 28.00 billion.

**Kashyap Zaveri – Emkay Shares - Mumbai**

Okay. Just to get a sense on the Sangli Bank merger we have seen a couple of articles saying that some of the minority shareholders have objected to the merger. I believe they hold around 17% point of the total shareholding?

**Rakesh Jha – General Manager – ICICI Bank**

The matter is pending before the company law board and the EGM of Sangli Bank has been conducted and I think the next hearing of the company law board is early February, so we do not want to comment on that.

**Kashyap Zaveri – Emkay Shares - Mumbai**

The EGM of Sangli Bank is already over?

**Rakesh Jha – General Manager – ICICI Bank**

That is right.

**Kashyap Zaveri – Emkay Shares - Mumbai**

The special resolution has already been passed?

**Rakesh Jha – General Manager – ICICI Bank**

Yes, the disclosure for that would follow, following the CLB order.

**Kashyap Zaveri – Emkay Shares - Mumbai**

Okay. And on the NPA side you said the NPA level for the current quarter is in percentage terms is how much?

**Rakesh Jha – General Manager – ICICI Bank**

Net NPA of 1%.

**Kashyap Zaveri – Emkay Shares - Mumbai**

That is slightly higher than the same quarter last year?

**Rakesh Jha – General Manager – ICICI Bank**

It was about 0.8% last year.

**Kashyap Zaveri – Emkay Shares - Mumbai**

So that is primarily on the retail loan side portfolio?

**Rakesh Jha – General Manager – ICICI Bank**

Yes. As I mentioned earlier that if you look at the non-collateralized products within the retail portfolio that portion has increased. That explains the NPA number of retail portfolio and the overall bank.

**Kashyap Zaveri – Emkay Shares – Mumbai**

Okay. Thanks.

**Shikha - Moderator**

Thank you, Sir. The next question comes from Mr. Anand Shanbhag from HSBC Securities, Mumbai. Mr. Shanbhag, you may ask your question now.

**Anand Shanbhag – HSBC - Mumbai**

Thanks. My question is really on the home loan market specifically. Would you have any data on what has been the loan to value ratio in the most recent quarter for

home loans alone and possibly the size of the average home loan?

**Rakesh Jha – General Manager – ICICI Bank**

We have not seen any significant change in the loan to value ratio on the home loan front. Our maximum LTV is 85% and the average continues to be about 70%. On the loan prices over the last couple of years the loan sizes have indeed increased with rising prices in property as well as the growing incomes of the target market and that would be around Rs. 1.0 million to Rs. 1.2 million.

**Anand Shanbhag – HSBC - Mumbai**

Would that be for the December quarter alone or for the nine-month period?

**Rakesh Jha – General Manager – ICICI Bank**

As I said we have not seen any change specifically in the December quarter.

**Anand Shanbhag – HSBC - Mumbai**

Okay. And just one other question, if I got the numbers right, the auto loans seemed to have increased very little from Rs. 160.00 billion to Rs. 197.00 billion. Is that right?

**Rakesh Jha – General Manager – ICICI Bank**

Yes.

**Anand Shanbhag – HSBC - Mumbai**

When you say auto is it really largely the car finance?

**Rakesh Jha – General Manager – ICICI Bank**

Only the car.

**Anand Shanbhag – HSBC - Mumbai**

Any particular reason, is this a conscious decision or is this something, which kind of stems from the market?

**Rakesh Jha – General Manager – ICICI Bank**

It is basically from the market itself.

**Anand Shanbhag – HSBC - Mumbai**

Okay, thanks.

**Shikha - Moderator**

Thank you sir. The next question comes from Mr. Sunil from Birla Sun Life. Mr. Sunil, you may ask your question now.

**Sunil - Birla Sun Life - Mumbai**

Rakesh if you can share with us yield on advances on the cost of funds during the quarter?

**Rakesh Jha - General Manager - ICICI Bank**

The yield on advances is about 10%.

**Sunil - Birla Sun Life - Mumbai**

10%? And cost of funds?

**Rakesh Jha - General Manager - ICICI Bank**

Is about 6.55%.

**Sunil - Birla Sun Life - Mumbai**

Sorry?

**Rakesh Jha - General Manager - ICICI Bank**

6.55%

**Sunil - Birla Sun Life - Mumbai**

6.55%, and the same number in the previous quarter?

**Rakesh Jha - General Manager - ICICI Bank**

Q3 last year was 5.7%.

**Sunil - Birla Sun Life - Mumbai**

No, you are saying Q3 2006. I am saying thing previous quarter Q2 2007?

**Rakesh Jha - General Manager - ICICI Bank**

6.45%

**Sunil - Birla Sun Life - Mumbai**

6.45%? And yield?

**Rakesh Jha - General Manager - ICICI Bank**

It was about 9.88%.

**Sunil - Birla Sun Life - Mumbai**

Okay. Second is right now what is the progress on the rural initiative?

**Rakesh Jha - General Manager - ICICI Bank**

I'm sorry. We didn't get your question?

**Sunil - Birla Sun Life - Mumbai**

What's the progress on your rural initiative?

**Rakesh Jha - General Manager - ICICI Bank**

It is progressing more or less in line with our plan. As we said we have seen a 40% year-on-year loan growth in that business and various products are in the nascent state, but we continue to see the business as a major focus area.

**Sunil - Birla Sun Life - Mumbai**

But the kind of thing, which has happened like you provided around Rs. 85 crore for the warehouse thing, do you see things happening or any kind of corrective actions or any significant actions are being taken to correct this?

**Rakesh Jha - General Manager - ICICI Bank**

As we said this is a relatively new product and certainly on this scale is a relatively new product for us and as would be for the market at large. So, at this stage there is always a potential for some things needing to be changed or corrected. We are looking at the steps to strengthen the way in which the product is operated including better checks and balances of the collateral managers and the management, the M&C agent. So we do not see this in the long term as changing our view on the rural business.

**Sunil - Birla Sun Life - Mumbai**

And what is number of branches as on 31<sup>st</sup> December 2006?

**Rakesh Jha - General Manager - ICICI Bank**

667.

**Sunil - Birla Sun Life - Mumbai**

667? So the addition during the quarter will be?

**Rakesh Jha - General Manager - ICICI Bank**

35.

**Sunil - Birla Sun Life- Mumbai**

35?

**Rakesh Jha - General Manager - ICICI Bank**

Yes.

**Sunil - Birla Sun Life- Mumbai**

Okay, and one last question. The growth in subsidiaries if you can share with us?

**Rakesh Jha - General Manager - ICICI Bank**

If you look at the major subsidiaries; which are ICICI Life Insurance which in the 9 months had a total premium income of about Rs. 45.00 billion, and its new business achieved profit for the 9-month period was Rs. 5.40 billion. It had a market leadership in the private sector with close to 30% market share with the market share of the next largest competitor being about 18%. Market share is the overall market including LIC was about 8%. In the nine-month new business annualized premium growth was over 100%. Assets in terms of the funds that it manages, insurance funds that it manages was over Rs. 130.00 billion. The new business achieved profit number of Rs. 5.40 billion in 9 months represents a 74% increase over the previous year.

In terms of ICICI general insurance, it has a market share of about 36% in the private sector, 12.5% overall. If we look at the increase in premiums of the industry as a whole, in the first 8 months of this year for which the industry data is available, about 30% of that increase was contributed by this company. The gross written premium has increased now about 90% in the 9-month period. The retail and other non-corporate businesses are about two-thirds of the total business, and its profit after tax for the 9-month period was about Rs. 0.49 billion.

**Sunil - Birla Sun Life- Mumbai**

Okay. Life you mentioned Rs. 45.00 billion of premium income for the first nine months?

**Rakesh Jha - General Manager - ICICI Bank**

Yes, that is the total premium income.

**Sunil - Birla Sun Life- Mumbai**

That is the total premium income. What is the split between new business premium and renewal?

**Rakesh Jha - General Manager - ICICI Bank**

The first year recurring premiums are about Rs. 25.00 billion. Single premiums are Rs. 4.00 billion and renewal premiums are about Rs. 15.00 billion.

**Sunil - Birla Sun Life- Mumbai**

And First Source will be listed during the current quarter, I believe.

**Rakesh Jha - General Manager - ICICI Bank**

Yes, in all probability yes.

**Sunil - Birla Sun Life- Mumbai**

Okay, and if I can know the share holding in 3i Infotech as on 31<sup>st</sup> December.

**Rakesh Jha - General Manager - ICICI Bank**

ICICI shareholding is about 12%.

**Sunil - Birla Sun Life- Mumbai**

12% as on 31<sup>st</sup> December?

**Rakesh Jha - General Manager - ICICI Bank**

Yes, and funds managed by ICICI Venture would own about another 30%.

**Sunil - Birla Sun Life- Mumbai**

Okay. Right. Thank you so much.

**Shikha - Moderator**

Thank you Sir. The next question comes from Ms. Tabassum from Kotak Securities, Mumbai. Ms. Tabassum, you may ask your question now.

**Tabassum -Kotak Securities- Mumbai**

Yes, hi. Just a couple of things. Fees excluding derivatives, how much would that be?

**Rakesh Jha - General Manager - ICICI Bank**

I will give you the derivative number across. The derivative income number on the customer account, which is including fee income was about Rs. 0.78 billion in Q3 2007.

**Tabassum -Kotak Securities- Mumbai**

Yes.

**Rakesh Jha - General Manager - ICICI Bank**

For Nine months it is Rs. 1.95 billion and last year nine-month is Rs. 1.33 billion and last year Q3 is Rs. 0.35 billion, last year full year is Rs. 1.88 billion.

---

**Tabassum -Kotak Securities- Mumbai**

What is the outstanding Agri loan?

---

**Rakesh Jha - General Manager - ICICI Bank**

Total Agri loans are Rs. 115.00 billion.

---

**Tabassum -Kotak Securities- Mumbai**

Okay, and disbursement growth in housing would be approximately what?

---

**Rakesh Jha - General Manager - ICICI Bank**

Q3 over Q3 is about 12%. I forgot to mention to Anand when he asked about the auto finance. There we have sold out about Rs. 60.00 billion of loans in the current nine months, if you look at the outstanding, it was Rs. About 184.00 billion, which is currently about Rs. 194.00 billion but its net sell down is Rs. 60.00 billion so that is why on the book it does not show a growth.

---

**Tabassum -Kotak Securities- Mumbai**

What is the sell down in this quarter overall?

---

**Rakesh Jha - General Manager - ICICI Bank**

About Rs. 35.00 billion.

---

**Tabassum -Kotak Securities- Mumbai**

Okay, great. Thank you very much.

---

**Shikha – Moderator**

Thank you ma'am. The next question comes from Mr. Suresh Ganpati from Deutsche Bank, Mumbai. Mr. Ganapati, you may ask your question now.

---

**Suresh Ganpati - Deutsche Bank - Mumbai**

I just wanted to know net interest margin is inclusive of securitization or it excludes securitization?

---

**Rakesh Jha - General Manager - ICICI Bank**

It is inclusive of securitization, but as you know because of the change of the guidelines on securitization that is not a material number.

---

**Suresh Ganpati - Deutsche Bank - Mumbai**

Okay, and one more thing is regarding this fraud provisioning, which you have done of around Rs. 0.85 billion, the press reports are around Rs. 1.50 billion is the total estimated fraud. So, do you think next quarter you might further provision for it?

---

**Rakesh Jha - General Manager - ICICI Bank**

No, we would not like to comment on press items. We have made the provisioning based on our own assessment of the overall frauds and I would not like to comment on the press estimates. We have this year made a provision, as I mentioned earlier, on the entire loans where we have detected frauds. So, we would also expect recovery from these provisions that we have made actually.

---

**Suresh Ganpati - Deutsche Bank - Mumbai**

Okay, okay. Thanks a lot Rakesh.

---

**Shikha – Moderator**

Thank you sir. The next question comes from Mr. Aditya Narayan from CitiGroup, Mumbai. Mr. Narayan, you may ask your question now.

---

**Aditya Narayan - Citi Group - Mumbai**

Hi, thanks. Rakesh, I just wanted to check on this NSE stake sale. Has anything been accounted as yet?

---

**Rakesh Jha - General Manager - ICICI Bank**

No, we signed that agreement only in January. So, it does not reflect in the December quarter.

---

**Aditya Narayan - Citi Group - Mumbai**

It would typically come into this last quarter of the year?

---

**Rakesh Jha - General Manager - ICICI Bank**

Subject to the regulatory clearance.

---

**Aditya Narayan - Citi Group - Mumbai**

Yes, fair enough. The other thing I just wanted to check was on the net and gross NPAs, seems a reasonably large share of unsecured retail loans, particularly on the net side, should they be remaining there? Should they not be taken off if they become NPA, they have no security against them?

---

**Rakesh Jha - General Manager - ICICI Bank**

We basically write off or wholly provide these loans when they are one year overdue. That is in any case

happening and while recoveries are clearly lower in the non-collateralized products, they are still there even after 90 days overdue.

---

**Aditya Narayan - Citi Group - Mumbai**

Just some sense, you have mentioned the figures on the Agri, the current Rs. 115.00 billion would be how much in the comparable quarter last year, as also for the international basically the bases?

---

**Rakesh Jha – General Manager – ICICI Bank**

Agri has shown about 40% growth compared to last year. The last year in December the number was about Rs. 80.00 billion and now the number is Rs. 115.00 billion. On the overseas book the last year December was Rs. 120.00 billion. This is the loan book of branches, which is included in advances of the bank, and that is now about Rs. 208.00 billion. That is a 73% increase.

---

**Aditya Narayan – Citi Group - Mumbai**

And subsidiary?

---

**Rakesh Jha – General Manager – ICICI Bank**

The total loan book on subsidiaries was Rs. 63.00 billion, which is now about close to Rs. 97.00 billion.

---

**Aditya Narayan – Citi Group - Mumbai**

Okay. This is one final question. In terms of the deterioration that is seen during the quarter what will be that flow in terms of deterioration recovery, also how would the deterioration be split between corporate, retail, agri and international asset, possible to give?

---

**Rakesh Jha – General Manager – ICICI Bank**

On the retail side presently the gross NPAs would be about Rs. 4.20 billion and a large part of the balance will be on a rural side and a very small portion will be corporate. International there is no NPA. Rural portfolio will basically be relating to the to the fraud in the rural warehouse receipt financing portfolio.

---

**Aditya Narayan – Citi Group - Mumbai**

Right and the total will be about almost Rs. 10.00 billion? Right?

---

**Rakesh Jha – General Manager – ICICI Bank**

Sorry Rs. 10.00 billion of what?

---

**Aditya Narayan – Citi Group - Mumbai**

Of incremental deterioration?

---

**Rakesh Jha – General Manager – ICICI Bank**

In the quarter about Rs. 6.50 billion odd.

---

**Aditya Narayan – Citi Group - Mumbai**

Okay. So rural would still be about Rs. 2.00 billion – Rs. 2.50 billion.

---

**Rakesh Jha – General Manager – ICICI Bank**

No, out of that Rs. 6.50 billion about Rs. 4.30 billion or so would be retail, close to 1.50 billion would be rural and the balance would be corporate.

---

**Aditya Narayan – Citi Group - Mumbai**

Okay. Thanks.

---

**Shikha – Moderator**

Thank you, sir. The next question comes from Mr. Rajeev Verma from DSP Merrill Lynch, Mumbai. Mr. Verma you may ask your question now.

---

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Hi Rakesh. I guess some of my questions were answered. I missed one number. What is your NII number?

---

**Rakesh Jha – General Manager – ICICI Bank**

NII number for the quarter is Rs. 17.09 billion.

---

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Rs, 17.09 billion. And I guess the other thing I just wanted to check with you on term deposit costs, how are they running now? Are you seeing those having really picked up in the last 10 days?

---

**Rakesh Jha – General Manager – ICICI Bank**

In terms of the deposit cost if you look at the trend in the current quarter there is some pressure on deposit rates. We have increased our own lending rates and deposit rates some time in December.

---

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

How much is the proportion? Can I just understand how much is it over one year, of the deposits?

---

**Rakesh Jha – General Manager – ICICI Bank**

Large part of the retail deposit are one year deposits. Beyond one year it will be a very small number actually.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Okay most of them are?

**Rakesh Jha – General Manager – ICICI Bank**

In terms of increase in the cost of deposits from Q2 to Q3 the cost of time deposit went up by 25-basis point between Q2 and Q3. I would expect that the trend to increase continue in Q4.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Okay and I asked another question, don't know if I got it correct. You said the disbursement on housing loan was only 12% is it? Year on year basis.

**Rakesh Jha – General Manager – ICICI Bank**

That is correct.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

So what is the net from sell down on that percentage?

**Rakesh Jha – General Manager – ICICI Bank**

Disbursement volumes is anyways gross of sell down.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

So how much was the disbursement, sorry I do not have the last year's number.

**Rakesh Jha – General Manager – ICICI Bank**

This quarter was Rs. 78.00 billion compared to last year same quarter of Rs. 70.00 billion.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Are you looking at is this a conscious decision, are you going slow or are you just seeing a slowdown happening?

**Rakesh Jha – General Manager – ICICI Bank**

One is obviously that the interest rates have increased in over the last one year and there has been some uncertainty regarding the property prices. So I would say it is relating to that. Home loans is still running at a higher pace, if you look at incremental absolute disbursement. So even with 20% of our disbursement growth the loan growth will still be higher. If you look at loan growth even just for the current year, from March onwards, and leave out the last quarter of last financial

year where there was a very strong growth. It is still running at about 35% or 36% on the retail loans on an annualized basis.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

How much is the sell down on housing book for this?

**Rakesh Jha – General Manager – ICICI Bank**

That will be a very small number.

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Okay.

**Shikha - Moderator**

Mr. Verma are you through with your question?

**Rajeev Verma - DSP Merrill Lynch – Mumbai**

Yes. Thanks a lot.

**Shikha - Moderator**

Thank you, sir. The next question comes from Mr. Ajit Dange from UTI Securities, Mumbai. Mr. Dange you may ask your question now.

**Ajit Dange – UTI Securities - Mumbai**

Hi, Anindya what is the proportion of fixed interest rate loan versus floating interest rate growth, the entire portfolio?

**Anindya – ICICI Bank**

I think about 40%. 40% would be floating.

**Ajit Dange – UTI Securities - Mumbai**

Out of total portfolio?

**Anindya – ICICI Bank**

That is correct. This comprises largely the floating rate home loan portfolio and the corporate and the SME of other portfolios where there is a benchmark rate to which rates are linked. The balance portfolio would be fixed rate but largely short-term.

**Ajit Dange – UTI Securities - Mumbai**

At 60% right. Okay and another thing is what are the fresh slippages during the first nine months and recoveries and upgradation?

**Rakesh Jha – General Manager – ICICI Bank**

We just gave detailed numbers for the quarter. I do not have nine months numbers readily.

**Ajit Dange – UTI Securities – Mumbai**

Okay this quarter? Recoveries and upgradation any?

**Rakesh Jha – General Manager – ICICI Bank**

Nothing significant

**Ajit Dange – UTI Securities – Mumbai**

Okay. Thanks.

**Shikha - Moderator**

Mr. Dange are you there with us.

**Ajit Dange – UTI Securities – Mumbai**

Yes. I am through.

**Shikha - Moderator**

Okay. You are through. Thank you sir. The next question comes from Mr. Manish Karwa from Motilal Oswal Securities, Mumbai. Mr. Karwa you may ask your question now.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

Hi. Rakesh and Anindya. Just wanted to check on the tax front. There is a big write back of deferred tax and this number is pretty substantial this quarter. Just some sense from where this number is coming from now?

**Rakesh Jha – General Manager – ICICI Bank**

There was guidance note issued by ICAI in terms of which the taxation is computed for an interim period has changed. Earlier we used to do it based on that particular quarter's tax rate. Now it has to be done based on the estimate of the full year profit and what is going to be the active tax rate for the year. So this also takes into consideration whatever capital gains or provisions would happen in Q4 as well. There will be some release of this deferred tax actually when the write-offs had to happen in Q4.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

So does it mean that in the next quarter the tax rates will actually go up?

**Rakesh Jha – General Manager – ICICI Bank**

Actually means that the tax that we have provided for nine months is based on our best judgment of tax for the full year. So the full year tax rate will be pretty close to this tax rate. Earlier it used to be the specific quarters, and if I had for example very high equity capital gains with no tax, the taxes will be lower for that particular quarter. That kind of an aberration will not be there now because we have to make tax provision based on the full year's estimate.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

Right and just some sense on tax front. If I just exclude the capital gains what is the normal tax rate, which we are running at?

**Rakesh Jha – General Manager – ICICI Bank**

It will be just below 30%.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

Okay. Second thing what are your consolidated numbers looking like in terms of profitability?

**Rakesh Jha – General Manager – ICICI Bank**

Consolidated numbers on an annual basis?

**Manish Karwa – Motilal Oswal Securities - Mumbai**

Yeah.

**Rakesh Jha – General Manager – ICICI Bank**

That will be the same trend as there is no change in the trend. In terms of ICICI Prudential Life losses will more than offset the profits of ICICI Lombard and I sec.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

And lastly on the fee income side, is there substantial change in the break up of fee income like is international contributing much more given the way this segment has grown?

**Rakesh Jha – General Manager – ICICI Bank**

In terms of the fee income breakup if you look at for example the nine months, the retail fee is about 56%. The corporate fee is about 28% and international is about 13%. Also we are seeing healthy growth in international business in which we are doing a lot of corporate deals, which may get booked in the overseas markets. So international fees would be quite a tangible item in that sense.

**Manish Karwa – Motilal Oswal Securities - Mumbai**

Right. Thanks.

**Shikha – Moderator**

Thank you sir. The next question comes from Ms. Mahrukh from Lehmann Brothers, Mumbai. Ms. Mahrukh, you may ask your question now.

**Mahrukh – Lehmann Brothers - Mumbai**

Hi, I just wanted to check on your margins. Given that now state banks are also offering heavy deposit rates on retail one-year deposits, are we likely to see deposit rates go up further? Are you officially likely to change our deposit rates and do you see your margins remaining fairly stable in the fourth quarter?

**Rakesh Jha - General Manager - ICICI Bank**

As of now, we have not decided on an increase in our retail rates. But it again depends how the situation pans out for the quarter. Inflation numbers have come in yesterday, it is quite high so I do not know what RBI stance will be through this quarter on liquidity in the banking system. So it may be difficult to say right now, but as I said earlier our own sense is that the deposit rates will trend upwards in this quarter. In terms of the margin, we will pass on those increase in funding cost to the lending side, but there could be some lag on that.

**Mahrukh – Lehmann Brothers - Mumbai**

Any initial assessment of the priority sector guidelines impact on capital adequacy etc of the new draft priority sector guidelines

**Rakesh Jha - General Manager - ICICI Bank**

Nothing specific as such.

**Mahrukh – Lehmann Brothers - Mumbai**

Okay, I just wanted to check has RBI given any feedback because some banks feel that risk rates on retail loans need not come off any time soon even once Basel II is implemented. Have you heard of any such thing or any such feedback?

**Rakesh Jha - General Manager - ICICI Bank**

Our own understanding is that when RBI came out with a the draft Basel II guidelines in February 2005, at that time already as per their existing guidelines, the mortgages are at 75%, and retail loans were at 125%. They at that point in time then decided to continue with mortgage at 75% and made other retail loans at 75%. So, a lot of change has happened after the draft guidelines. Whatever changes have happened after the draft Basel II guidelines RBI would, I assume, will want to increase in the Basel II guidelines as well.

**Mahrukh – Lehmann Brothers - Mumbai**

If you have just one number, actually I missed it in the retail loan breakdown. What is two wheelers? I did not get the number. Sorry.

**Rakesh Jha - General Manager - ICICI Bank**

Rs. 27.00 billion.

**Mahrukh – Lehmann Brothers - Mumbai**

Rs. 27.00 billion? Commercial business?

**Rakesh Jha - General Manager - ICICI Bank**

Rs. 138.00 billion.

**Mahrukh – Lehmann Brothers – Mumbai**

What will be your total retail disbursement? Housing is Rs. 78.00 billion.

**Rakesh Jha - General Manager - ICICI Bank**

Total is about Rs. 207.00 billion

**Mahrukh – Lehmann Brothers – Mumbai**

Rs. 207.00 billion against last year's?

**Rakesh Jha - General Manager - ICICI Bank**

Rs. 173.00 billion.

**Mahrukh – Lehmann Brothers – Mumbai**

Thanks a lot. Thanks.

**Shikha – Moderator**

Thank you ma'am. The next question comes from Ms. Madhuchanda from IL&FS Investsmart, Mumbai. Ms. Madhuchanda, you may ask your question now.

**Madhuchanda - IL&FS Investsmart - Mumbai**

Just wanted to understand the rough break-up of your Agri book of Rs. 115.00 billion.

**Anindya - ICICI Bank**

Out of the Agri book of Rs. 115.00 billion roughly about Rs. 30.00 billion would be the corporate Agri book, which is basically lending to companies in the Agri business and the balance would be the lending to individuals or

small businesses of which as Rakesh mentioned the warehouse receipt financing would be about Rs. 17.00 billion, microfinance would be about 25.00 billion, farm equipment financing would be also around Rs. 17.00 billion and these would be the key items.

Thank you sir. Ladies and gentlemen, this concludes the conference call. You may now disconnect your lines. Thank you for connecting to Airtel audio conference service and have a pleasant afternoon.

---

**Madhuchanda - IL&FS Investsmart - Mumbai**

A couple of housekeeping questions. What is the cost of deposit for this quarter?

---

**Rakesh Jha - General Manager - ICICI Bank**

The deposit is 6.25%.

---

**Madhuchanda - IL&FS Investsmart - Mumbai**

And the yield on funds?

---

**Rakesh Jha - General Manager - ICICI Bank**

The total yield on asset is about 9%.

---

**Madhuchanda - IL&FS Investsmart - Mumbai**

And what is the SLR as on December 31<sup>st</sup>, SLR percentage?

---

**Rakesh Jha - General Manager - ICICI Bank**

It will be about 27%.

---

**Madhuchanda - IL&FS Investsmart - Mumbai**

Twenty...?

---

**Rakesh Jha - General Manager - ICICI Bank**

27%.

---

**Madhuchanda - IL&FS Investsmart - Mumbai**

27%. Thanks a lot.

---

**Shikha - Moderator**

Thank you ma'am.

---

**Rakesh Jha - General Manager - ICICI Bank**

Thanks. We actually need to close now because we have to leave for our EGM. To take any further queries, we would be available on the phone for that.

---

**Shikha - Moderator**