

ICICI BANK
CONFERENCE CALL
April 14, 2003

Moderator: Good afternoon ladies and gentlemen. I am Snigdha the moderator for this conference. Welcome to the ICICI Bank conference call hosted by JM Morgan Stanley. Mr. Ashish Mehta of JM Morgan Stanley is your call leader today. For the duration of the presentation all participants' lines will be in the listen-only mode. I will be standing by for the question and answer session. I would like to hand over to Mr. Ashish Mehta of JM Morgan Stanley. Thank you and over to Mr. Mehta.

Doshi: Hi, I have just taken over from Mr. Mehta, this is Mihir Doshi here. Guys I think on short notice thanks for coming on the call. I think most of you know the reason for this call is just to get a view from ICICI Bank on the events of the past weekend, which we obviously feel is not of an issue but we will actually hear from Kalpana _____ first hand. I think Kalpana does not require any introduction. I am going to leave it to her to give us a quick brief run down on what has happened over the weekend, frankly what their view is and then leave it to question and answers to the group. We will do the Q&A right after her quick short presentation. Kalpana with that I will leave it to you. I am not sure if you have a team with you but

Kalpana: I do, I will introduce it to you.

Doshi: You have a team, okay great! With that I will leave it to you. Go ahead Kalpana.

Kalpana: Thank you Micki for organizing this at short notice. I have a team here with me, Mr. N. S. Kannan, our CFO and treasurer, Mr. Rakesh Jha, who all of you know well, and Anindya Banerjee, who you know as well.

What I want to do is in just two minutes give you really you know what has been unfolding in last the three or four days here in India and so far as bank withdrawals are concerned. This started really on Friday with a newspaper story appearing in a local Gujarati paper called "Gujarat Mitra" which circulates I understand in Surat and **Valsad**, saying that there were rumors about there being a problem with ICICI Bank and therefore people were withdrawing money. We continued to watch the situation on Friday and one did see almost may be 50% higher transactions at ATMs in **Valsad**, but we had arrangements for stocking them with cash and until about 6 or 7 o'clock in the evening really it was more a rumor that was circulated in **Valsad** and had created a higher than normal cash withdrawals. However, late on Friday evening this spread to Surat and even later than that it spread on to Ahmedabad. At that stage we were continuously monitoring the situation from two angles, one is to take care of the logistics problem of moving adequate cash at the various ATMs and our branches as well, because unlike most of the banks in India we keep our branches open from 8 o'clock in the morning till 8 o'clock in the evening and therefore we did have people coming in for withdrawal

requests in Gujarat even late in the evenings. So, one as I said was really tackling the logistics question of making sure that adequate cash is available at these places for meeting demands, the other was the more challenging task at that late in night to really communicate to people that these are baseless rumors, and that they should not panic about it, there was ample cash available for them to withdraw it if they so choose, and that there was absolutely no change in ICICI's financial condition and therefore there was no need to panic. Towards that end we got onto the TV channels including till midnight that night, spoke to whichever of the print media that we could get late at that day so that at least they could carry it in some editions, whilst all of these efforts were on some of the people in Gujarat..., this then spread from Surat onto Ahmedabad, Jamnagar, and Rajkot and what some of the local people in this stage they did passed on this message through SMS, phone calls and whatever to their relatives and friends in parts in Bombay, and a few other places in India. As a result on Saturday morning our big challenge was to make sure that even before the branch opens at 8 o'clock in the morning we had adequate cash moved in. Now this cash as I explained was a big logistic issue for us to move cash say from Poona where we have a treasury chest onto Ahmedabad, so we made arrangements and this is where Reserve Bank of India, Bank of India, State Bank of India were enormously helpful to us to ensure that we get the currency chest opened early on so that all our branches had adequate cash and once the customer got to know that there was adequate cash there was you know things had quietened down quite a lot. The Reserve Bank was also extremely proactive in this by issuing a statement around 11 o'clock on Saturday saying that there was really no problems with the financials, in fact there was a positive statement that ICICI's financial condition is sound and that whatever necessary cash movements that had to be made were indeed done by ICICI Bank with the help of Reserve Bank of India and others. In the meanwhile as I explained since some of the customers in Gujarat had passed on these messages to Bombay we also had some customers queuing up in certain parts, particularly certain suburbs where there were large Gujarati population, also queuing up for cash and we had any case made arrangements for the cash to be reached to them. At the end of the day what we really found is that against close to 125 crores drawl on any given day all across India or on a peak that number would have gone up to around 200 crores of drawl across the country, on 11th when the problem really started, we had close to a 103 crores, and indeed the drawl was lesser than normal that is because some of the bank branches were closed on account of Ramnavami, on the 12th where you know this entire panic like situation in western parts of India was quite evident, against a peak of around 200, we saw close to 350 crores being withdrawn, but we decided that as a measure of confidence for these affected areas we would want to keep our bank branches opened although we had a very large network of ATMs in the state of Gujarat and in Bombay and in certain other cities all over India as well, and so even though it was a Sunday we did see may be half the normal amount, something like about 80 crores being withdrawn. Since then the situation has completely, in fact it started normalizing from Saturday afternoon itself, and now from all parts in India even though we have kept the branches open, ATMs of course are available for withdrawal of cash 24/7, they are not really seeing any unusual activity at all. All this say is that you know over the three day period we had roughly around 500 crores or Rs. 5 billion of drawl and this was really against close to Rs. 18 billion of cash that we had with the Reserve Bank of India in the current account. So, contrary to certain rumors

which were floating around saying ICICI had to borrow to really meet this requirement, it is far from the truth our utilization was almost 1/3rd of the cash balances that were lying with the Reserve Bank of India, however, we did make a fair amount of contingency planning to ensure that adequate cash was moved at all the centers to meet any requirement which could suddenly arise. I also before I invite questions very quickly want to say is that we are looking as to why this rumor started and frankly so far all inquiries tell us that there is really no basis to this rumor. Apparently there was a failure of co-operative bank in Gujarat, Valsad Co-operative Bank and in the past there have been some celebrated failures likes the Madhavapura, which I guess played a huge role on the psyche of the customers in Gujarat and therefore at the slightest whiff of a rumor people felt that let us be safe rather than sorry later, and then of course you know given the fact that public sentiment was somewhat weak with what had happened with huge drop in the Infosys share price, the huge knock that the markets had taken on account of that, so in a general state of nervousness I guess any rumor people said that let us be safe rather than sorry. All kinds of rumors were floating around I want to deal with each one. One was that ICICI Bank has a whole lot of exposure to brokers and equity markets, ICICI Bank has less than 5% exposure in terms of its total advances to the equity market itself, and this is primarily on account of our term lending activity. In terms of trading in equity, the total exposure that ICICI has to traded equity is just about Rs. 180 million or 18 crores. In terms of total broker exposure that I have is, I have all of Rs. 40 million in funded exposure to the brokers, which is backed by the shares. We do have personal loans that we give to individuals, sometimes these loans are secured by shares that they have as liquid security, we insure between 1.6 to 1.7 times coverage, and despite all the drop that had happened in the markets it did not trigger any of the additional collateral requirements on our part, and in any case this total exposure once again is just Rs. 2.5 billion. So, clearly the fact that ICICI had accented equity exposure is not borne out by the numbers at all, but in a nervous market some rumors did fly around. Second, if you was that ICICI could not take possession of **Daewoo** properties, this is an incorrect statement, **Daewoo** properties indeed are under our possession, we have multiple people interested in buying those properties. In any case that would not in any way impacts ICICI's financial condition because we do hold adequate provisions against our Daewoo exposure. A third rumor that was doing is that a prominent corporate who had attracted a whole lot of public money for some schemes had deposited it with us and now there could be a large scale withdrawal from the public on the money that they have deposited in this scheme. This was a completely baseless rumor because there is no such thing. And so on..., one was that ICICI has resorted to a whole lot of high cost borrowings from the inter bank market against a call limit which in our case is 1 times our net worth, our total borrowings in the call are 10% of the available limit to us, so you know all of these were completely baseless rumors. I just wanted to address this. I would be very happy to take questions.

Doshi: Thanks Kalpana. Guys, we will open up the questions. I will say sitting in Bombay it is unfortunate but most in the corporate are very vulnerable to the press in this country and I guess that is part of a reason why it is happening. With that, I not sure who is going to moderate, but I guess it is lady on the CyberBazaar, will you moderate the question and answers now please.

Moderator: Thank you very much Sir. We will now begin the Q&A interactive session. Participants who wish to ask questions please press *1 on your touch-tone enabled telephone keypad. On pressing *1, participants will get a chance to present their question on a first in line basis. To ask a question, please press *1 now.

First in line we have Mr. Jatindar Agarwal from Refco.

Agarwal: Could you please repeat the amount that is on exposure on brokers against securities?

Kalpana: That amount is 250 crores.

Agarwal: 250 crores I think...

Kalpana: ...brokers is 4 crores, to individuals it is 250 crores.

Agarwal: Yeah, so and exposure to brokers is just 4 crores?

Kalpana: 4 crores by way of funded exposure, which is secured by shares.

Agarwal: Okay, thank you.

Moderator: Thank you very much Sir. Participants who wish to ask questions please press *1 now. Next in line we have Mr. Sandeep Dixit from Deutsche Bank.

Sandeep Dixit: Can you hear me?

Kalpana: Yes, Sandeep we can hear you.

Sandeep Dixit: Okay, Kalpana just one question, _____ actually raised the cost of banking for you, because is this going to change from internal risk management guidelines where you see the you know cash levels go up?

Kalpana: What was that issue here was not the cash level with me, as I explained against almost 1800 crores that I had with in my current account, my utilization was only around 500 crores. But what I feel at the end of this exercise that even in a situation like this we could very rapidly move cash in and ensure through the 24/7 ATM service that customers did not panic and could draw whatever cash that they wanted to.

Moderator: Hello Mr. Dixit are you with us?

Kalpana: I think we lost him.

Doshi: I think he was coming on mobile I think.

Moderator: Yes, probably he is. We have our next question from Miss Barbara from Goldman Sachs.

Barbara: Hi. How are you?

Kalpana: Very good, and you?

Barbara: I am good. I have a few questions for you. First of all you said that the loans being secured by securities around 250 crores and how much of that is **in** security or by **listed** security and if you **mark** to market those security what is the corrector value you will gain from **those** now?

Kalpana: All of it is against listed security, and we currently have an over all margin of

Barbara: Sorry I cannot hear you.

Kalpana: We lend 60% of the mark to market value and we do not have any collateral short fall at all despite the significant drop in the market.

Barbara: Right.

Kalpana: And it gets computed really every Friday so it did absorb the worst of the market loss as well.

Barbara: Right. Okay, and what is the bank's total listed equity exposure at this point?

Kalpana: The bank's total listed exposure by way of trading equity, because as I said in connection with our term lending we do have some equity exposures, but total listed equity exposure as part of our trading this thing is 18 crores or a Rs. 180 million.

Barbara: Right. Okay, and there were also rumors in the market regarding that you guys have some trading losses, how would you comment on that things those are totally unfounded rumors or?

Kalpana: The trading losses on the equity as I explained to you, my entire portfolio is just a Rs. 180 million, so there is absolutely no question of there being any huge trading losses for me.

Barbara: Okay, thank you very much.

Moderator: Thank you very much madam. Next in line we have Mr. Rajiv Varma from DSP Merrill Lynch.

Rajiv Varma: Kalpana, hi, this is Rajiv.

Kalpana: Yeah Rajiv.

Rajiv: Yeah, I just had some of the asking I mean frankly just I was reading on the daily news paper today, but going forward do you see this at any point like you know meaning or more difficulty in gauging the deposits from particularly Gujarat and all, are you seeing that shift away from not only yourself but from private sector to government banks, or, I mean what is your sense?

Kalpana: Certainly not Rajiv, because even on Sunday yesterday, we had you know supposing if 50 people came for withdrawal we had 25 people come in to deposit money, and quite a few of these were people who had drawn money the previous day. You know so soon after the panic also we saw customers coming in, in fact in Gujarat on Saturday itself you know all this really happened as I said late Friday night, not only did we have some people come back with their cash and deposit it, but we also had a few people come in and open brand new accounts with us.

Rajiv: Right okay, thanks.

Moderator: Thank you very much sir. We have our next question from Mr. Sanjay Jain of CSFB.

Sanjay Jain: Yeah, hi. One quick question on your exposure to co-operative banks by way of funded and non-funded, how much is it, and by what instruments?

Kalpana: I will just give you that number in a minute but I don't believe we had any exposure to the co-operative banks, we do have some correspondent banking relationships with them and I will just confirm to you is as a result of that we have anything.

Sanjay Jain: Okay, and you said your exposure to brokers is 4 crores on that is the funded exposure, do you have any other type of exposure to brokers as well?

Kalpana: I have non-funded exposure for brokers, that amount is 60 crores or Rs. 600 million.

Sanjay Jain: Okay.

Moderator: Hello Mr. Jain?

Sanjay Jain: Yeah, I am waiting for the co-operative bank's answer.

Kalpana: I will give it to you Sanjay, some one just got to get it, as I said we don't lend any money to them, we just use their network sometimes for our correspondent banking relationships, so I am sure it is negligible, but I will give you the exact amount.

Sanjay Jain: Okay, thank you.

Kalpana: We will have another question until then.

Moderator: Thank you very much sir. Participants who wish to ask questions please press *1 now. We have our next question from Mr. Aditya Narayanan of Citi Group.

Aditya Narayanan: Hi Kalpana, Aditya here.

Kalpana: Hi Aditya.

Aditya Narayanan: Hi. I had two questions basically, one in terms of credibility, do you think this has in anyway impacted your credibility and does it set you back you know similar to what Rajiv asked about 6 months or 12 months in your deposit gathering exercise. That is one part. The other one is really in terms of any measures you are contemplating at this point in time to really go back to the basis of these rumors and to address the issue head long, you know there was an advertisement in the news papers yesterday, but is there anything specific beyond this that you have in mind?

Kalpana: On the issue of, you know, how this impact for ICICI's ability on resource gathering, frankly, I am not seeing any impact because I explained that even very soon after the panic, we had people who drawn money come back again and deposited. So, you know, if these very people returning back the money, I think it is a measure of great this thing.. We really saw, we spoke to all our corporates, in fact, some of them laughed at the entire thing, dismissed it out right. We have not seen any withdrawals happening there. And, the rapidity with which normalcy was restored even in the most affected areas. You know, we have a centralized monitoring system on how cash moves in each of our ATMs, which is 1700 across the country. So, we are seeing how rapidly these transactions are coming down. Even though, we kept the branches open barely four or five transactions took place yesterday in most of the branches. So, given that, I am not really seeing any impact. For us, as I said, the challenge was, you know, how quickly and how much more efficiently on a going forward basis can we do a good logistic management of moving cash from point A to point B. And in terms of what else do we plan to do, well, we are doing a continuous communication and media exercise. We are also planning really to, you know, do a big educational exercise really for the lay customer that, you know, a bank's deposits are insured up to Rs. 1 lakh. Banks maintain cash reserve ratio, they maintain access Government of India securities portfolio, Reserve Bank of India as the lender of the last resort, and banks have adequate capital adequacy. You should look at an external credit rating of a bank, both domestic and international before paying any heat to rumours. And, we are planning really to translate this into the various vernacular languages and do it as a continuous education series, more or less on the lines of the bond education series that we were doing as ICICI Limited.

Moderator: Hello Mr. Aditya.

Aditya Narayanan: Thanks. That's fine.

Kalpana: Okay. I have a response for Sanjay Jain's question to me on our exposure with the cooperative banks. The total exposure that we have with them is Rs. 250 million.

Moderator: We have our next question from Mr. Seshadri of Alchemy.

Seshadri: Hi Kalpana.

Kalpana: Hi.

Seshadri: Just to build on what Rajeev and Aditya were asking on, in terms of, one, are you happy with the way the entire PR exercise through this entire process went, and just to broaden that question, ICICI seems to attract a lot of negative rumours, especially in the financial press, and are you trying to sort of undertake some PR exercise to stem this because this is not, you know, this is probably the largest one, but on and off you do get a lot of negative reports on ICICI in the press. The second question would be in terms of the cost of managing this entire thing, you know, operational costs of moving the money, keeping the branches open, is that significant, and if it is, if you could give us an indicator.

Kalpana: First of all let me straight away dismiss the cost item, it is an insignificant cost of us because in any case cash would have, in the normal course, would have had to move, we just needed to speed that up a little bit for these centers. Keeping the branches open on holiday given, you know, the customer this thing, we again view as a marginal cost, as I said these branches were kept open in Delhi and in Gujarat and not all over India. On the question of PR, actually you know it is all a perceptual issue Seshadri. While you feel that, you know, we always attract negative press and that too a amount of this, if you look at the corporate reputation index, which was very recently published, that places ICICI on fifth in terms of having the highest corporate reputation. We also do a study where we really look at what are the mentions, the positive mentions that ICICI has gotten in the press, and if instead of getting these as press mentions, if we were to advertise these positive aspects, we have close to Rs. 17 crores or Rs. 170 million of ad revenues that we have saved because of the positive press that we have generated. In fact, across the board, we are getting congratulatory messages from our corporate customers, from our employees, from our retail customers, from the Government of India, including ministers, saying, how well ICICI managed the entire PR exercise. Since it is a little awkward for me to answer your question, since I am in-charge of the PR exercise, so if I tell you I did it very well, I am merely saying I have done a good job, that is why I just wanted to give you the testimonials that we have received from others. In fact so much so that we have the finance minister of Gujarat going public to the people to say that ICICI Bank is a safe and sound bank and they should not panic. The chief minister of Gujarat has made a similar statement now. And, as I said, we got telephone calls from central ministers and members of parliament congratulating us on how we conducted the exercise.

Seshadri: Yeah. My question was a little different. I asked you as to whether your opinion was on, and that is clear that you managed it once the rumor built up, but do you

see it as a problem that these rumor first of all happened in the first place, and people were willing to believe it of ICICI Bank, and that there is a perception problem underlying that, it is just a question, I mean, I don't know the answer, but the fact that the rumor built up itself, do you perceive that as a problem and overall PR exercise needs to be conducted to ensure that such rumors do not come up again, and if they come up, they are not believed.

Kalpana: No, but Seshadri that is such a hypothetical question, if only there was some way that one can once and for all always scotched rumors, we would love to know the answer to that. More importantly, I think, what we have really got to see and a whole lot of English media I know have heightened this point, is to say that given celebrated failures, like the cooperative banks, Unit Trust of India, and you know, the huge shock that the stock market has taken, as I said, aggravated a lot last Thursday, that you know, the entire psychology of the people is weak. Now, at that moment, one could have mentioned any bank, and I am sure the rumor would have gone on. To our misfortune the bank named at that time was ICICI and therefore it got. But, what, we are again getting feedback from people is to say that we feel you really had to get your feet really tested by fire, you have come up stronger from it, and therefore the people feel that, you know, another time when anything like that had to get circulated, they will probably stop by and question, could it really be true, because this is a bank, which has been rated so well. We got an immediate response from the regulator on its financial health, and in the past it has managed everything this well. I sincerely hope that next time we will not have a rumor like that. So far as the PR exercise is concerned, for us it is a constant exercise, and we don't hire a whole lot of agencies to do our PR. I think one of the things that ICICI has been is, we have always been very transparent, and you know, try and disclose as much as possible by way of regular interaction with the analyst community, regular interactions with the press, and we just hope, and we will just continue doing that.

Seshadri: Okay. Thanks. I think that answers my question more than enough. Thanks.

Moderator: Thank you very much Sir. Next in line we have Ms. Adajania from JP Morgan.

Ms. Adajania: Hi Kalpana.

Kalpana: Hi Marukh

Ms. Adajania: Hi. I have just one question, what would be your exposure to equity derivative.

Kalpana: Equity derivatives we are not allowed to do as a bank.

Ms. Adajania: Right. Okay, thanks.

Moderator: Thank you very much mam. We have our next question from Mr. Sachin of JM Morgan Stanley.

Sachin: Hi Kalpana, Sachin here. Just one question, have you seen any excessive redemption pressure at ICICI Prudential.

Kalpana: ICICI Prudential, you mean, in terms of the mutual funds?

Sachin: That is right.

Kalpana: I don't believe so because by now otherwise I would have had Shailendra Bhandari on the line with me, the very fact that I haven't even got in a call from him.

Sachin: Okay. Thank you.

Moderator: Thank you very much Sir. We have our next question from Mr. Sanjay Jain of CSFB.

Sanjay: Yeah. Couple of followup questions Kalpana. One is on the cost of deposits. Do you think this entire saga goes on to raise your cost of deposit, especially on the term deposit side and also indirectly from the reduction in saving deposits which could have otherwise accrued. And second question is on dividends, do you think this will pressure you or your board into declaring high dividends just as a signal of showing confidence to public, because earlier in ICICI you used to pay a very high dividend.

Kalpana: See Sanjay, as I see it, it has become more than evident in the last three days that this was not really a question about whether ICICI has the financial ability or the solvency to meet all its liabilities. It was a rumor and because it was a rumor it got scotched immediately. An ample cash was available for people to withdraw. The minute they got to know that, as I said, a whole lot of them even came back and put the money in. So, given the fact that, you know, it was really hot air that people could very clearly see that was really playing here, I don't see it having an impact at all because as I explained in the past, I am going to repeat it, if you look at the messages that we are getting back from customers, whether they are retail customers, corporate customers, the regulators, the government, etc. We are not really seeing this having any impact. Certainly, it will not have any role at all in what, if any, dividend I will declare for last year.

Sanjay: Okay, thanks.

Moderator: Thank you very much Sir. Participants who wish to ask questions, please press *1 now.

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Kalpana: Well, if there are no questions, I just want to end by thanking all of you for being here today. I really appreciate the fact that all of you called in and I hope you all will be giving a suitable update to the investor community because the market is open

tomorrow and I wanted to be absolutely sure that we are very very clear in our communication. So, thank you so much again, and in particular, thanks to Mihir for organizing this.

Mihir Doshi: Thanks a lot from JM Morgan Stanley also Kalpana and the whole team.

Moderator: Thank you very much Sir. Ladies and gentleman, thank you for using Cyberbazaar's conferencing service. That concludes this conference call. You may now disconnect your line. Thank you and have a nice day.

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