

Moderator: Good evening ladies and gentleman, thank you for standing by. Welcome to the ICICI Bank conference call. At this movement all participants in a listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question, please press '*1'. I would now like to turn the conference over to ICICI Bank management representative. Please go ahead Sir.

Kannan: Good evening this is Kannan from ICICI Bank. I have with me Mr. Venkatakrishnan and Charanjit from our accounts team, then I have Rakesh, Anindya and Rajendra from the **PIVG** team of ICICI Bank. Today we had our board meeting which approved the results for the half year's H1 of 2005. I will briefly give you the highlights of these results.

We have had a robust increase in our core operating profit, which increased about 129% to Rs. 10.92 billion in H1-2005 from Rs. 4.77 billion in H1- 2004. This has been primarily driven by improvement in net interest margin, which improved to 2.4% compared to 1.9% in the first half of 2004. Also it is driven by a robust increase in the fee income which increased 93% with respect to the number we had in H1-2004. As a result of these numbers we had 28% increase in the profit before tax which increased to Rs. 10.67 billion in this half compared to Rs. 8.34 billion in H1-2004. We have had a marginal increase in the tax rate because of which the profit after tax increased 18% from Rs. 7.42 billion first half of last year to Rs. 8.73 billion now.

I will now highlight some of the key numbers in the profit and loss statement. In the current half we had a fee income of Rs. 9.55 billion, which grew from Rs. 4.9 billion in the first half of last year. About 50% of this fee income is on account of retail banking operations, the others predominantly corporate banking and the international banking. The operating expenses, if we look at, we had for H1 a number of Rs. 11.52 billion, an appropriate number will be to look at the sequential quarter growth, there we can clearly see that the growth is pretty much under control. We had a number of Rs. 5.64 billion for the first quarter this year, which has marginally increased to Rs. 5.87 billion, which is largely on account of staff expenses apart from that it seems pretty much under control. As a result of this, as I mentioned earlier, we had a 129% increase in the core

operating profit. The treasury income which we had in the last year first half of Rs. 7.21 billion, there has been a decline and this first half we had only Rs. 2.16 billion of treasury income. After provisions and taxes we have posted a profit after tax of Rs. 8.73 billion up from Rs. 7.42 billion in the first half of last year. If you move on to the balance sheet on the assets side the point to note is that advances have shown a robust growth driven largely by retail advances. The retail advances stood at Rs. 396 billion, which accounted for 58% of the total advances, and overall balance sheet growth H1-on-H1 has been 18.5%.

Moving on to liability side we have seen that the ICICI borrowings continued to decline as we repay our legacy borrowings which we contracted from ICICI Limited. As of September 30th we have a number of about Rs. 244 billion of these borrowings, which constitute about 20% of our funding. The key ratios, return on net assets has moved from 1.37% to 1.38% during the half year. The EPS has been pretty stable at Rs.24.3, the cost-income ratio has been hovering around the range of 43%. However, the cost to average asset ratio, which we believe is one of the best in the banking system, is around 1.8%. The fee to income ratio as a result of the growth in fee income, which I mentioned, it looks a very healthy number of 36%, which we again believe that it is one of the best in the system in the country.

Moving on to some of our key subsidiaries, ICICI Prudential continues to be the market leader among the private sector insurance companies with retail market share of 34% during April-August of the current year. We have been putting out the number on new business achieved profit, which for this half year was Rs. 1.21 billion compared to Rs.2 billion for the whole of last year. ICICI Lombard, which is our non-life subsidiary, which again maintained its leadership among the private sector non-life insurance companies with a market share of about 24% during the first 5 months of the current financial year. It had an underwriting profit of about Rs.173 million in the current half year with the profit after tax of Rs. 217 million.

Moving on to asset quality and provisioning, the net NPL ratio as of September 30th as a percentage of customer assets is 2.6% with net NPL number of under Rs. 2000 crores i.e. Rs. 20 billion. The net restructured assets are down to Rs.68 billion as of September 30th, 2004. On the capital

adequacy, the total capital adequacy is at 15.2% with Tier 1 at about 9.4%. The share holding pattern largely it has been quiet stable compared to June and we had September FII number of about 47.8% with the ADR holders holding 21.8% and the paid-up capital as of the date was Rs.7.35 billion. A couple of points on the retail assets I want to mention that mortgages continued to be about 50-51% of our retail portfolio. And with this opening remarks I will request you to give your questions and our team will try and answer those questions, thank you.

Moderator: Thank you Sir. Ladies and gentleman we will now begin the question and answer session. If you have a question please press '*1' on your push-button phone and await your turn to ask the question when guided by the facilitator. If your question has been answered before your turn and you wish to withdraw your request you may do so by pressing the '#' key. We have our first question from Mr. Jatinder Agarwal from Refco Sify. Please go ahead Sir.

Jatinder: I just wanted to have one clarification, I actually shooted off a mail to Arati also. On your BSE notice it shows net interest income of Rs. 850 crore and other income of Rs. 635 crores.

Kannan: I am sorry?

Jatinder: In the BSE notifications that has come in terms of numbers the interest earned shows Rs. 1672 crores, interest from investment is Rs. 646 crores. They are both higher by Rs. 100 crores and your other income is down by Rs.200 crores in the BSC statement. So, can I have the break up of the Rs. 835 crores that you are showing as other income in this quarter.

Anindya: That was an error made by BSC in posting the results on its site. We had pointed it out to them and it has been rectified now.

Jatinder : Can I have a break up of this 835,Anindya please?

Kannan: One second Jatin, have you seen the presentation?

Jatinder: No, because I had to leave from my office.

Kannan: Basically in quarter two we had fee income of Rs. 537 crores and lease income of Rs. 106 crores and then other income of Rs. 69 crores and treasury income was Rs. 123 crores.

Jatinder: That should be fine, and can we have the amount of assets that have been transferred to ARCIL or any other ARC, this quarter?

Kannan: About Rs. 100 crores.

Jatinder: And that has been coming from your net NPL.

Kannan: Yes.

Jatinder: That is fine.

Kannan: Jatin, this will get corrected by BSE, they made a mistake I believe, in transfer.

Jatinder: Yeah, I was not there again to check it.

Kannan: I think, it was not in electronic format, it was faxed across, so while transferring it to a electronic format they made a mistake.

Jatinder: Because I was myself very astonished when I saw the numbers of Rs. 835 crores on the net interest income.

Kannan: It is been corrected now.

Jatinder: Fine thank you.

Moderator: Thank you Mr. Agarwal. Our next question comes from Ms. Mahrukh from UBS. Please go ahead Ma'am.

Mahrukh: Hi, I had a few questions, firstly on this transfer to HTM, if you would have transferred in the September quarter what would have been the treasury loss, have you made any such calculations?

Kannan: We have not transferred and we have not made any calculations.

Mahrukh: Okay, also in fees, was there any chunky element or it is all through the normal retail liability and retail

loan transactions, was there any one-off item at all in the fees, in the core fees?

Kannan: No, it is the normal trend of fees and quite granular.

Mahrukh: Any increase in contribution from government business or that's still as low as it was in the first quarter, has the government business at all contributed or it will take some more time?

Kannan: It will take some more time.

Mahru: Just one more question and that's on NPLs when do you see any chunky correction happening in restructure loans, of course they have reduced, which is very good, but do you see any chunky correction in the year at all?

Rakesh: No, there would be reductions in the restructured loans in the coming quarters, but there may not be any chunky reduction in any single quarter so to say.

Mahrukh: And in terms of the capital gains, how much was the contribution of equity gain?

Rakesh: Equity gain was about 2/3rd of the total treasury of Rs.120 crores.

Mahrukh: Okay, and these are the old names, was there any equity trading or it was mainly exiting the oldnames.

Rakesh: Primarily exiting the old names.

Mahrukh: Have you targeted any level of restructured loans by the end of the year or any such thing?

Rakesh: No, we don't have any specific numbers as of now.

Mahrukh: But any broad range in terms of reduction or...?

Rakesh: We had indicated that we expect a reduction in the absolute amount.

Mahrukh: Okay, thanks so much.

Moderator: Thank you Madam. Our next question comes from Mr. Rajeev Varma from DSP ML. Please go ahead Mr. Varma.

Varma: Hi Rakesh, just a couple of things. Can I have an idea of the break up of the provisioning of Rs. 19 billion I don't think I got that if you had put it out somewhere.

Kannan: No, the provision is Rs. 1.90 billion.

Varma: Sorry that's entirely for NPL provisioning? Is there any thing else in the Rs. 1.9 billion?

Rakesh: It is mainly for the NPL provisioning.

Varma: How much is the mark-to-market provisioning on your investment portfolio?

Rakesh: No, there was no mark-to-market provisioning requirement on the investment portfolio.

Varma: So, after doing the mark-to-market you had no provisioning at all is it? And amortization of the premium?

Rakesh: That is in the normal course, that amortization is there but there was no mark-to-market

Varma: How much was the amortization?

Rakesh: For the **HTM** securities it was about Rs. 20 crores.

Varma: So the rest of it was just NPL provisioning is it?

Rakesh: Basically you will find the number is higher than the first quarter, the level of write-back was lower in 2nd quarter. The write-backs depend on as and when the cases get settled. Normally in the later two quarters Q3 and Q4 the right backs are much higher. We had seen in the first quarter a much higher level of write-back, so write-backs are lower by about Rs. 60-70 crores in Q2 which was the reason for the increase in the provision.

Varma: Okay, thanks a lot.

Moderator: Thank you Mr. Varma. We have our next participant Mr. Ashutosh Narkar from India Infoline. Please go ahead Sir.

Ashutosh: I just wanted to have a copy of presentation, if you have any?

Kannan: We will send across to you, can you give your e-mail ID.

Ashutosh: Anindya has it.

Kannan: We will send it across.

Ashutosh: I have few questions, can I have the break up of the retail portfolio?

Kannan: The total retail portfolio was Rs. 396 million out of it 51.3% was mortgages, 16.5% was auto, 14.4% was commercial business and rest of them it is distributed across two-wheelers, personal loans, credit cards and others.

Ashutosh: What is the break up for two-wheelers?

Kannan: Two-wheelers would 2.3%.

Ashutosh: All right and how much does these retail assets contribute to your fee income.

Kannan: As I mentioned in the opening remark that retail banking fee income is about 50% of the total fee income of Rs. 9.55 billion for the half year.

Ashutosh: But that would be divided between the retail assets and your liabilities, right?

Kannan: Yeah.

Ashutosh: How much does the retail liability contribute?

Rakesh: Half of the fee income comes from retail assets business.

Ashutosh: I just have one more question, has the bank gone in for securitization of assets during the quarter?

Kannan: Yes we continued to do it as a part of our normal operations.

Ashutosh: And how much does the securitization income would become a part of the NII.

Kannan: It is the same, around 20%.

Ashutosh: All right, thank you.

Moderator: Thank you Mr. Narkar. Our next participant has a question, she is Ms. Tabassum from Kotak Securities. Please go head with the question Madam.

Tabassum: What is the amount of securitizing you have done in retail, corporate, separately?

Rakesh: Yes I will just give you that. Total we have done in this quarter is about Rs. 5,400 crores, out of which corporate was roughly about Rs. 1,000 crores.

Tabassum: And how much would be housing in retail?

Rakesh: Housing would be about Rs. 1,800 crores.

Tabassum: And all of this is like par or is it on premium ? All the income or profit is booked in already from this sale of Rs. 5400 crores?

Rakesh: Yes.

Tabassum: It is all booked, and just one more question why this spread not improved in this quarter compared to the first quarter numbers, it is 2.4, right?

Rakesh: 2.3-2.4.

Tabassum: That is **NIM**, I am saying spread.

Rakesh: Must be a rounding off, Tabassum.

Tabassum: Okay, thanks.

Moderator: Thank you Ms Tabsssum. We have our next participant Ms. Pallavi from Principal Mutual Funds. Please go ahead Madam.

Pallavi: Congratulations Sir. I want to know the staff expenses, it seems to have increased substantially, was there any performance bonus in this?

Rakesh: If you look, the more appropriate number to look at would be sequential quarter numbers. The staff expenses itself would have gone up about Rs. 15 crores, that's all.

Pallavi: Right, thank you Sir.

Moderator: Thank you Ms. Pallavi. Our next question is from Mr. Amit Gadgil from Deutsche Bank. Please go ahead Sir.

Amit: Just few questions, you said that you have booked gains because of the securitization.

Kannan: We do in normal course every quarter.

Amit: But can I have the amount in the second quarter of such income.

Kannan: 20% of NII.

Amit: Secondly, you have talked about erstwhile ICICI borrowings, they are Rs. 244 billion rupees. Can you give me the amount of interest paid on these borrowings.

Kannan: About 10.5%.

Amit: Then on slide number 10, you have given cumulative write-off and provisions Rs. 44.63 billion, can I have breakup of figures to write-offs and provisions as such?

Kannan: Write-off is about Rs. 26 billions and balance is provisions.

Amit: Are there any other provisions over and above the general provisions included above other than these?

Rakesh: We maintain additional provisions, one is the general provision on the standard assets which is about Rs. 4 billion and other provisions including on restructured assets, on the corporate portfolio.

Amit: And finally, you said most of the break-up of the provisions is mainly from NPLs, right?

Rakesh: Rs. 20 crores is from amortization of HTM securities.

Amit: Okay, thank you

Moderator: Thank you Mr. Gadgil. Our next question comes from Mr. Punit Srivastav from Enam Securities. Please go ahead Sir.

Punit: Good evening. My first question relates to the disbursement in the home loans, which you have done so far in this fiscal. I just wanted to know how much of these would be fixed and how much is floating?

Kannan: 20% would be fixed.

Punit: Also I have not seen the presentation so far but have you given the average yield on your total credit book now, what would be the average yield that you have been earning?

Kannan: For the half year it is about 9.7%.

Punit: This is for the entire credit book and for the retail portfolio?

Rakesh: We have not given a separate break up.

Punit: Is it possible to give retail yields, also average yields on the housing as well, over all retail book?

Rakesh: We have not given the break up.

Punit: What will be the gross NPLs now including the write-offs and can you tell the breakup?

Rakesh: Rs. 64.5 billion gross NPL.

Punit: That in percentage terms how much it comes to?

Rakesh: Gross of write-offs it comes about 7.8% and write-offs are Rs. 26 billion. So, net of write-off, the gross NPLs are Rs. 38.5 billion which is 4.8% of the customer assets.

Punit: Okay, thank you.

Moderator: Thank you Mr. Srivastav. For any further question, all participants are requested to press '*1'.

Participants who wish to ask a question may please press '*1'. We have our question from Mr. Rajat Rajgarhia from Motilal Oswal. Please go ahead Sir.

Rajat: Just a couple of questions. Any specific reasons why you haven't transferred your portfolio yet to the HTM, what is the thought process on this, are you looking at an appropriate yield or you don't feel like transferring right now?

Rakesh: No specific reasons.

Rajat: And second, how much of total NPAs in both gross and net you had transferred to the ARC till date?

Kannan: About Rs. 13 billions.

Rajat: This is net?

Kannan: Yeah, net number I am talking about. Predominantly, most of it was done really for no significant suggestions, as Rakesh mentioned we transferred in this quarter about Rs. 100 crores, it is about a billion.

Rajat: Okay Sir, Rs. 13 billion is the net you have transferred and what is the average provisioning you had against this, 50%?

Kannan: Yeah.

Rajat: Okay, thanks.

Moderator: Thank you Sir. We have our next question from Mr. Moon from Porter. Please go ahead Sir.

Moon: I have a question, why is other borrowing rising this quarter?

Kannan: The other borrowing consists of the essentially refinances and foreign currency borrowing. In the normal course we take refinance from Exim bank, NHB and NABARD. There have been some marginal increases and the predominant increases on account of foreign currency borrowing which is because of the \$300 billion Euro Bond issue we had.

Moon: Do you expect that to come down in the following quarter?

Kannan: No, that will continue because that is the normal funding source for us and these borrowings will continue the only other item which will come down is in legacy borrowings of ICICI limited which I put the number as Rs. 244 billion, that will be coming over quarters.

Moon: The other borrowings, what is your funding cost there?

Kannan: On the other borrowings it will be less than 6% or so, but some of those borrowings really are free of reserves. So, you do not have to keep the SLR requirement on some of those borrowings, so the cost has to be looked at it in that perspective because we do not have any negative carry of having to put part of those borrowings in government securities.

Moon: Thank you.

Moderator: Thank you Sir. Participants who wish to ask question may please press '*1'. We have Mr. Aditya Singhanian from Citigroup. Please go ahead Mr. Singhanian.

Aditya: Hi, a couple of questions. Out of the 25% current and saving account how much is current and how much is saving?

Rakesh: Savings is Rs. 95 billion current is Rs. 80 billion.

Aditya: What is the total amount of floating provision that you are holding now apart from the general provision on standard assets?

Rakesh: The total provisions that we are holding, if you look at the non-performing assets and other than non-performing assets, the total is about Rs 18-18.5 billion.

Aditya: Including general provision on standard assets?

Rakesh: Yeah.

Aditya: Out of this how much is specific there?

Rakesh: Rs. 10 billion is against restructured assets.

Aditya: 10 billion is against restructured and 4 billion is general provision on standard assets and the balance 4 is specific provision.

Rakesh: Those are against performing assets that is a general provision.

Aditya: So, that is a general provision, specific provision is only against non-performing assets.

Rakesh: That is right.

Aditya: Can you tell me the movement of gross NPAs in the current quarter?

Rakesh: It moved from Rs. 65.8 to 64.5 billion.

Aditya: And out of this Rs. 100 crores would be on sale to ARCIL?

Rakesh: Yeah.

Aditya: Okay, thanks.

Moderator: Thank you Mr. Singhania. We have our next question from Mr. Punit Srivastav from Enam Securities. Please go ahead Sir.

Punit: I had a question on in terms of your overall strategy, in terms of looking for next two years especially on the securitization part in terms of the sell down of the portfolio. Will this kind of sale you believe it is going to be a part of your overall strategy in terms of selling 5,000 crores every quarter and then booking the income, is it going to continue for the next two years or so or you will prefer to probably build up your credit book at a higher rate, what's going to be your strategy in this.

Kannan: I cannot comment on the exact number which we will be doing every quarter because that will evolve as we go along. As a larger strategy of taking advantage of our strong origination capabilities compared to the market and using part of that to sell down with others will continue. We also find with the market, there are strong investors who do not have as high an origination capability as such,

which we will clearly use it to make sure that we originate and sell down those assets to them and with a corporate demand also picking up, there is indication that sell down strategy is going to be clearly part of our own strategy from a capital management perspective, how much we want to hold. And as far the income is concerned, we mentioned to you several quarters it has been in the ranges of 20% of NII .

Punit: Yeah, there is no doubt this is very good strategy in terms of improving your ROI and all those things, what I am asking is that this is going to be overall, I may not ask for the exact numbers...?

Kannan: Yeah, I agree with you, it is going to a part of out overall strategy.

Punit: Out of 5,400 crores, how much is securitized and how much is sell down, total approximately?

Rakesh: The way we look at it is one and the same when we use those terminologies we use it quite interchangeably

Punit: Also there is one question on your investment portfolio, can you give us a break up because we have been hearing, are you still maintaining around two year duration or you brought it down and also, I believe, you have been maintaining around 25% HTM and then what is the remaining how does it look like?

Rakesh: The September 30th number approximately is about one year duration of mark-to-market SLR book and we will continue with that number, in September it has come down a little bit which we had articulated earlier. But apart from that during the quarter we had not seen any significant change.

Punit: So you are maintaining on an average of one year?

Rakesh: Mark-to-market book.

Punit: Okay, so out of, lets say, 25%..

Kannan: Overall basis also duration is much lesser compared to the average duration of the banking system.

Punit: And how much of your 75% **MTM book** will be floaters now?

Rakesh: It will be about 60%.

Punit: 60% of the **MTM** will be floaters. Thanks a lot.

Moderator: Thank you Mr. Srivastav. Our next question comes from Mr. Ashutosh Narkar from India Infoline. Please go ahead Mr. Narkar.

Ashutosh: I have a few questions again, can I get the break up of your customers assets in to corporate, SME and retail.

Rakesh : Out of that the retail is Rs. 396 billion.

Ashutosh: Yes I have that.

Rakesh: And SME is about Rs. 20 billion.

Ashutosh: Rs. 20 billion.

Karan: The balance is corporate.

Ashutosh: I have two more questions how much is the investment in **repo** Securities.

Karan: That will vary on a day-by-day-basis.

Ashutosh: I mean to say on an average, like during the last quarter?

Rakesh: I don't have that number it's a part of our normal treasury operation side.

Ashutosh: I have one more question, on your NPAs how has been on the Dabhol power NPAs, can I have the provisioning numbers on them?

Rakesh: On specific assets we don't disclose what is the provisioning.

Ashutosh: All right thank you.

Moderator: Thank you Mr. Narkar. We have our next question from Mr. Mihir Marfatia from Batiwala. Please go ahead Sir.

Mihir: Good evening Anindya, I have one question on your tax, the tax provision for tax has been increased by 45% sequentially. What is the kind of tax rate you are looking at by '05?

Anindya: The tax rate, you know, we have already given guidance for the tax rate, this year will be higher than earlier and the 20% tax rate that you see is pretty much in line with that. In the two years following the merger we had some tax shield on account of deferred tax assets from the provisioning that we had done in the time of merger. That is the kind of indication that we had given for this year.

Mihir: Thank you.

Moderator: Thank you Mr. Marfatia. For any further questions participants are requested to press '*1'.

Kannan: If there are no further questions thank you very much everyone and Anindiya and Rakesh are always there, if you want to clarify anything -, thank you and bye.

Moderator: Ladies and gentleman this concludes your conference call for today. We thank you for your participation and for using TATA Indicom conferencing services. Please disconnect your lines now, thank you.