ICICI Bank Limited
Third Quarter Earnings Conference Call- Financial Year 2009
January 24, 2009

Moderator: Good evening Ladies and Gentlemen. I am Santhosh Shastry, the moderator, for this call. Welcome to the ICICI Bank conference call. This call is for the duration of one hour. 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 now like to handover to Ms. Chanda Kochhar of ICICI Bank. Thank you and over to you ma'am.

Ms. Chanda Kochhar: Thank you.

Mr. Rakesh Jha: Hi. We would like to remind everybody that today's discussion could include our views on future trends based on what we know in today's uncertain and changing conditions. Our press release and our annual reports in India and the US have more information about risk factors that could affect the future.

Ms. Chanda Kochhar: Good afternoon to everybody. I will start with a brief snapshot. Our profit after tax for the quarter was Rs. 12.72 billion, which is a 25% increase over the second quarter. It is also a healthy increase on a quarter-on-quarter basis. In fact, if you look at the operating profits, it is a 23% increase over operating profit for Q3 of 2008. This has come on the back of a net interest income of Rs. 19.90 billion. We have maintained our net interest margins at 2.4%, and earned a healthy treasury income of Rs. 9.76 billion, and there has been a tight control on operating expenses. Operating expenses have decreased 19% to Rs. 16.80 billion. These are the very broad highlights of the performance, and we will be happy to take questions from you.

Mr. Rakesh Jha: We can start the question and answer please.

Moderator: Thank you very much ma'am. We will now begin the Q&A interactive session. Participants who wish to ask questions, may please press *1. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. Participants are also requested to ask two questions. To ask a question, participants may please press *1 now. First in line, we have Ms. Mahrukh. You may go ahead ma'am.

Ms. Mahrukh: Could you comment on the low fee income during the quarter. Also could the provision not been higher given the treasury gains, and the gross NPLs have declined quarter-on-quarter. Could you also give some guidance on the insurance as in how do you see the competitive landscape, when do you see the growth picking up, and any guidance on margins if there is any?

Ms. Chanda Kochhar: Fee income during the quarter was Rs. 13.47 billion. As you are aware, our fee income is broken into retail and corporate, and the corporate fee income really moves with the activity in the corporate sector. During this quarter, there has been a pause in the projects that the corporates are undertaking. There have hardly been any M&A transactions. So, a large part of the fee income in this quarter is the ongoing transactions banking income, but fee income related to any M&A or project finance is lower.

On the retail side, while fee incomes from transaction banking and the credit card, etc., have continued to grow, the two types of fee income that have slowed down is the income relating to retail lending which is about 20% of our retail fee income and the second is the one related to distribution of third-party products like mutual funds and insurance given the slowdown in the activity in those segments as well.

From here, I will come to your last question, that is, insurance. Insurance business as a whole de-grew by about 6% this year for the industry as a whole for these eight months. Within that, the private sector has grown by about 27%. If you see our performance, although our new business premium has de-grown by about 5%, renewal premium grew by about 75% resulting in a total premium growth of 28%. So, that shows that even in a market like this, where the growth rates in premium businesses are slower, the companies that have higher persistency ratio will always gain, and that is clearly shown in our performance. But during this period, what the company has done is clearly again tightened their expenses substantially and the margin has therefore, in spite of the slower growth, been maintained at 18.9%.

Mr. Rakesh Jha: Provisioning has been done exactly as per the policy that we have been following till the last quarter. It is not really linked to whether treasury income was higher or lower. In terms of the total gross NPL and the net NPL numbers, the one change which you should note is that from the current quarter as is the practice with other banks, we have also started writing off loans on the retail side. So, that has impacted the gross NPL for the current quarter when you compare it to the previous quarter and the total write-off that we would have done during the current quarter for such loans that have been overdue for a long time would be about Rs. 16.00 billion.

Moderator: Thank you so much. Next on line, we have Mr. Prashant from ICICI Prudential. Please go ahead sir.

Mr. Prashant Poddar: Rural advances have declined significantly quarter-on-quarter. Can you just comment on that please?

Ms. Chanda Kochhar: Generally, the agriculture and rural advances are of shorter duration. So, they peak in the last quarter every year and then they get paid off by the second quarter or so, and then they again, build up in the last quarter. So, that would normally be a trend every year.

Moderator: Thank you. Next on line, we have Mr. Pathik from IDFC SSKI. Please go ahead sir.

Mr. Pathik Gandotra: I just had one question. I think the gross NPL numbers if you have written off in this quarter as Rakesh was saying, has there been a change in re-classification in what you have done in the previous quarter. I mean, is the September 30th NPL the same as what you declared on September 30th?

Mr. Rakesh Jha: It is the same number.

Mr. Pathik Gandotra: Okay, and so, there is no write-offs in that number?

Ms. Chanda Kochhar: No.

Mr. Pathik Gandotra: And what is the CASA in the current quarter?

Ms. Chanda Kochhar: The CASA percentage has actually dropped. It is 27% now for us.

Mr. Pathik Gandotra: Okay, it was 30% in September?

Ms. Chanda Kochhar: Yes.

Mr. Pathik Gandotra: In absolute terms, have the savings deposits dropped or has it grown?

Mr. Rakesh Jha: Savings deposits have declined during the current quarter. So, if you look at the savings deposit as on December 31st, it was about Rs. 386 billion and current account deposits was about Rs. 190 billion.

Mr. Pathik Gandotra: Okay. Thanks.

Moderator: Thank you very much sir. Next on line, we have Mr. Kamlesh from Asian Markets. Over to you sir.

Mr. Kamlesh Kotak: Madam, I just wanted to understand two things. What would be the business model, because I suppose we are substantially shifting away from the direct marketing agent route and as it is shown also in the declining DMA expense. So, where will the incremental growth be coming from and what trend do you see over the next two to three quarters in terms of deposits and credit side?

Ms. Chanda Kochhar: Our business model going forward is essentially what we have followed in the last few quarters, i.e., we are looking at preserving capital and managing risk and therefore our growth has been very moderated. We believe that the economic scenario even currently is such that we would follow this model at least for some time. I think the real pick-up in growth would happen when interest rates systemically corrects substantially. That is when credit can really become affordable and serviceable by customers. So, till then, we are happy to moderate our growth ambitions, and during that period, we are actually using this as an opportunity to in fact pay-off high cost wholesale deposits. Those are more rate sensitive. We could have increased those deposits if we wanted, but we have consciously kept them low because we want to bring down our cost of funds.

Mr. Kamlesh Kotak: Right, okay but again, Madam in that case, what would be your take on the interest rate scenario going forward? I mean, in what way do you see moderation happening in that front to ease the liquidity in the system?

Ms. Chanda Kochhar: Liquidity is currently actually quite comfortable in the system, and interest rates would come down. I think over a three to six month period, interest rates would correct substantially. We have seen the movement happening with a lag. First, we saw inflation correcting and then we saw the G-Sec yields correcting.

Mr. Kamlesh Kotak: That is correct.

Ms. Chanda Kochhar: There is some aberration currently in the G-Sec yields, but otherwise, in the last quarter, we saw them correcting substantially. We have seen the correction in the wholesale deposit rates by about 2%. The retail deposit rates for most banks have corrected only in the last fortnight or so.

Ms. Chanda Kochhar: So, I think one would watch that for some time and that gradually should start having an impact on the effective cost of funds for the banks as a whole after which lending rates will correct.

Mr. Kamlesh Kotak: Right, right, and last one, can you help me just to understand which pocket of the credit is having the biggest hit in terms of the growth and in terms of outlook from hereon?

Ms. Chanda Kochhar: We are adopting a cautious approach across all the businesses. So, you see our growth is moderated across all businesses. The view that we are taking is that we have to watch for some more time as to what is happening to the economic scenario and therefore take smaller steps currently.

Moderator: Thank you. Next in line, we have Mr. Rajiv from Merrill Lynch. Over to you sir.

Mr. Rajiv: Just wanted to understand what are the trend lines you are seeing in asset quality. Is it still coming largely from retail or are you starting to see some stresses in the SME portfolio on the corporate side, and secondly, was on the overseas book, if you could just give some more granularity as to whether there is any MTM hit on that book?

Ms. Chanda Kochhar: We are still not seeing a pressure on the corporate side. So while, we are moving cautiously in new approvals because the project would take time to get financial closure and other such factors. But in terms of provisioning, we have not yet seen any pressure on the corporate side. It is essentially the retail portfolio which is experiencing the regular rate of losses.

Mr. Rakesh Jha: On the UK portfolio, in terms of the mark-to-market because of the widening of the credit spreads, there had been some increase in the mark-to-market on that portfolio. Also, as we have disclosed that we have transferred a part of our investment from the trading portfolio to the banking book which has resulted in a write-back of about US$ 25 million of mark-to-market losses, that we would have taken in the September quarter and this was done as per the new accounting standards that were introduced in UK in October. Taking that into consideration, the impact on the P&L for the current quarter is about US$5 million. If not for this change in accounting practice, the MTM impact would be about US$ 30 million in the P&L for the quarter, and on the banking book, the mark-to-market has increased by about US$ 70 million for the quarter.

Mr. Rajiv: Okay, thanks a lot.

Moderator: Thank you sir. Next on line, we have Mr. Seshadri from Macquarie. Over to you sir.

Mr. Seshadri Sen: Hi everyone. Just one question on the treasury profits. Was there any element of further equity book mark downs in that and secondly what sort of outlook is there. What is firstly your view of treasury profits going forwarding and secondly what is the cushioned rate beyond which you may have to make provisions on your bond book as well?

Ms. Chanda Kochhar: On the bonds, in general, I expect a correction to take place. I think this reversal in the rate that has happened in the first ten to fifteen days of January is probably a reaction to the government borrowing program that was announced unexpectedly, but I think , gradually over the next two months, correction would take place, and we should see the bond yields going below what they were on December 31st.

Mr. Rakesh Jha: On the equity side, there were some mark-to-market and realized losses during the current quarter, but as I just said that most of the treasury income which is there in the current quarter is coming from the fixed income side.

Mr. Seshadri Sen: Thank you.

Moderator: Thank you sir. Next on line, we have Mr. Dipankar from Deutsche Bank.

Mr. Dipankar: Firstly, if I were to notionally add back the 16 billion that was written-off, then in that case the new formation during this quarter appears to be about 10 billion. Is that the right way of looking at things?

Mr. Rakesh Jha: Dipankar, it would be approximately about Rs. 12 billion after taking into account the sale that we would have done to ARCIL in the current quarter.

Mr. Dipankar: Okay, so it is Rs. 12 billion. Second question is if you could clarify whether the status of Ratnagiri Gas and Power, is it still a standard asset?

Mr. Rakesh Jha: It is a standard restructured asset in the books of the bank.

Mr. Dipankar: Standard restructured, okay. Thanks. That is it.

Moderator: Thank you sir. Next in line, we have Mr. Agarwal from ABN Amro. Over to you sir.

Mr. Jatinder Agarwal: Good evening. Just one small question, on your investments book in AFS, have you significantly changed the duration and if you could have the duration as of September and December?

Ms. Chanda Kochhar: We have significantly changed the duration. We donot disclose the duration of the portfolio.

Mr. Jatinder Agarwal: Thanks a lot.

Moderator: Thank you sir. Next on line, we have Mr. Ajinkya from Motilal Oswal.

Mr. Ajinkya Dhavale: Good evening, a couple of questions. One on the margins reported at 2.4%, I just wanted to understand our net interest income is down about 7% quarter-on-quarter while may be earnings assets are down by just 3%. So, how is the margin stability then quarter-on-quarter comes?

Mr. Rakesh Jha: It is based on the average books in the current quarter vis-à-vis the last quarter. So, there would be some impact of that. Broadly, the margin has been at the same level as the previous quarter.

Mr. Ajinkya Dhavale: Okay and second, a couple of data points. Could you give the consolidated loan book as you report everytime?

Mr. Rakesh Jha: The total loan book at December 31st is Rs. 2,580 billion.

Mr. Ajinkya Dhavale: Okay versus last year?

Mr. Rakesh Jha: The last year December 2007, it was Rs. 2,370 billion.

Mr. Ajinkya Dhavale: Okay and investment in subsidiaries has gone up by Rs. 10.00 billion, it is into Life or anything else?

Mr. Rakesh Jha: A large part of that is in ICICI Bank Canada, which has seen asset growth in the current quarter and about Rs. 1.5 billion in ICICI Life.

Mr. Ajinkya Dhavale: Okay, and the housing loan, company's loan book?

Mr. Rakesh Jha: That is about Rs. 110 billion.

Mr. Ajinkya Dhavale: Okay, thanks.
Moderator: Thank you sir. Next on line, we have Mr. Sunil Kumar from Birla SunLife. Over to you.

Mr. Sunil Kumar: Hi. Just wanted to check, has the situation improved on the deposit side since we had sequential drop in deposits, and along with it, advances sequentially, there is a drop but can we start seeing some growth from hereon?

Ms. Chanda Kochhar: As far as the advances are concerned, as I said we will continue to follow the current strategy itself. So, while in that sense there are new loans still being written, but we also have repayments coming from the past portfolio. We have clearly tightened our credit parameters and we live right now within those tight credit parameters.

Ms. Chanda Kochhar: On the deposit side, when we breakup the number between October, November, and December, one clearly sees an increase in the month of December compared to October and November.

Mr. Sunil Kumar: Okay, thank you.

Moderator: Thank you sir. Next on line, we have Ms. Tabassum from UBS Securities. Over to you ma'am.

Ms. Tabassum Inamdar: Just on your NPLs, basically you have been adding about Rs. 12.00 billion every quarter, given that you have gone very, very slow on the retail loan growth, when do you think this number will peak and when do we actually start seeing a reduction in the NPLs. This is my first question.

Mr. Rakesh Jha: Outlook on NPLs remains the same as we have discussed earlier. As we said in September over the next couple of quarters, the current trend would continue and thereafter we should see some easing in terms of addition to NPLs. As you know in October, things had got impacted in the economy. So, we did see a slightly higher trend in terms of the retail NPL additions in that month and in terms of peaking as I said, the earlier prognosis continues, may be it will be at a higher level than what we would have thought earlier.

Ms. Tabassum Inamdar: How do you see the overease operations now given the economic environment we are seeing overseas? Are you looking at expanding in Canada still and also in UK. How is that in terms of the total assets and in terms of liquidity and are you actually lending in the UK and the Canada operation at this stage?

Ms. Chanda Kochhar: In UK and Canada, we are seeing accretion of deposits for sure. In fact, we are actually seeing very healthy accretion of deposits because new customers are getting added. Accretion on an average of about US$ 500 million each per quarter both in UK and Canada is what we are seeing. So there is sufficient liquidity for us in both those operations. In both those places we have liquidity of about US$ 2 billion in aggregate. We are also living with very healthy capital adequacy ratio in both those places, but yes, we are doing some incremental lending, essentially India led, to the extent we can out of this deposit flow and not really borrowing otherwise any other longer-term money or borrowing from the market, and that is why we are not really doing much lending from our branches because there we do not have access to retail deposit flows. We are keeping the book at constant levels there.

Ms. Tabassum Inamdar: So, even in UK, you are now seeing deposit accretion because if I remember well, the last quarter it was almost flattish?

Ms. Chanda Kochhar: Yeah, but this quarter, we have seen healthy accretion in term deposits.

Ms. Tabassum Inamdar: Okay.

Ms. Chanda Kochhar: What we have done this quarter is that we have concentrated only on term deposits, and we are consciously paying off what you call CASA over there because that is the deposit that we are not able to use for lending as per the FSA guidelines. So, we are consciously letting go off the CASA kind of deposits, and we are concentrating now in fact on the term deposits, and on the term deposits' side, we have seen a healthy increase.

Ms. Tabassum Inamdar: So, should we see a margin improvement in the overseas book?

Ms. Chanda Kochhar: No, this would not lead to an improvement in margins as such.

Ms. Tabassum Inamdar: Is it because the term deposit rates would be higher?

Ms. Chanda Kochhar: Yeah, so actually it would not lead to an improvement in the margins.

Ms. Tabassum Inamdar: Despite the fact that you would be lending it?

Ms. Chanda Kochhar: Yes because the cost of the term deposits is higher than the CASA deposits.

Ms. Tabassum Inamdar: Okay, just one small last question. In the domestic book, clearly because of the problems you faced this last quarter, have you seen a significant jump in the overall proportion of your wholesale deposits because retail deposits have reduced?

Ms. Chanda Kochhar: No, we have not, because we have in fact also consciously paid back the wholesale deposits

Ms. Tabassum Inamdar: So, but the reduction which we see in deposit of 9% is primarily because of wholesale deposit?

Ms. Chanda Kochhar: No, it is spread across, part of it is CASA, part of it is retail term deposit, and part of it is wholesale deposits, but it is not something that will dramatically change the proportion of wholesale or retail deposits.

Ms. Tabassum Inamdar: Why is your borrowings increasing so much quarter-on-quarter because I mean would it not be better to take deposits rather than borrowing because it seems like overseas borrowing is not really what is driving this up?

Mr. Rakesh Jha: Some increase is also because of tier II bond issuances that we have done in the current quarter.

Ms. Tabassum Inamdar: Yeah.

Mr. Rakesh Jha: Then, balance will be for example, if I have a call borrowing as outstanding on December 31st, it will show up in that line. So that is the only reason why the borrowings are appearing to be higher than September 30th; otherwise, we do not really need to resort to any borrowings right now.

Ms. Tabassum Inamdar: Okay, thank you.

Ms. Chanda Kochhar: Okay, I will take the last question after which I will leave.

Moderator: Alright, the last question comes from Mr. Aditya from Citi. Over to you sir.

Mr. Aditya: Yeah, I have just one question on restructured assets. If there was any restructuring this quarter, I mean what would be the numbers in terms of accounts and value?

Mr. Rakesh Jha: The total restructuring assets is about Rs. 50 billion, and in the current quarter, we would have restructured a few accounts amounting to less than Rs. 2 billion.

Mr. Aditya: Thanks.

Moderator: Sir, would you like to take the next question?

Mr. Rakesh Jha: Yes.

Moderator: Alright. Next question comes from Ms. Saumya Agarwal from HSBC Securities. Over to you.

Ms. Saumya Agarwal: Yeah, hi, two questions from my side. Firstly, if you could tell me what is the outstanding credit derivative portfolio as on December; I think it was some 1.4 billion dollars at the end of September. So, that is one thing, and secondly, how is your cost of funds moved this quarter?

Mr. Rakesh Jha: On the credit derivatives, the position has not changed since September 30th. So, the outstanding remains at the same level and all of it, as we have said earlier, is where we have given protection again underlying Indian entity.

On the cost of funding in the current quarter, it has gone up compared to the previous quarter, that is September quarter, by about 40 basis points from 6.8% to 7.2% within which the cost of deposits has also gone up by about 40 basis points to 7.4% in the December quarter.

Ms. Saumya Agarwal: Okay, thanks.

Moderator: Thank you ma'am. Our next question is from Mr. Krishnan from Ambit Capital. Over to you sir.

Mr. Krishnan: I just had two questions. The breakup of the CASA number is one and secondly provisioning. We have seen a decline in absolute NPAs at the gross level; however, the net NPAs, we have still not done much on the provisioning front. Is there some reason why we have reduced the provisioning coverage there?

Mr. Rakesh Jha: On the CASA the breakup is that the savings deposits are Rs. 386 billion and current account deposits are about Rs. 190 billion. On the NPLs, as I explained earlier, in the current quarter we have written-off about Rs. 16 billion of NPLs. Because of that, you would have been seeing that the gross NPL has declined while the net has increased. In terms of provisioning, there is no change in the policy that we had on September 30th. So, that remains at the same level.

Mr. Krishnan: Fine, I am done. Thanks.

Moderator: Thank you sir. Next on line, we have Mr. Hiren Dasani from Goldman Sachs Over to you sir.

Mr. Hiren Dasani: Hi. Firstly, provisioning, is that entirely on the credit related provisioning only or is there some mark-to-market reversal as well there?

Mr. Rakesh Jha: No, Hiren, as we have said that the depreciation on investments is reflected in the treasury income line as always. So that was part of the reason why we had treasury losses in the first half of the year.

Mr. Hiren Dasani: Okay.

Mr. Rakesh Jha: Provisioning will not really have any mark-to-market reversals in that line. The provisioning is largely on the

NPLs, almost all of it will be for non-performing loans in the current quarter, as the general provisioning norms have changed. Despite the decline in our level of advances as per the RBI guidelines, we cannot write-back the general provisions although as per the revised the requirement will be significantly lower for the bank.

Mr. Hiren Dasani: Yeah, I was a little curious when you said 16 billion of write-offs whereas the P&L charge is only 10 billion roughly?

Mr. Rakesh Jha: Hiren, that Rs. 16 billion means, these are non-performing loans which had already been fully provided. So, there is no impact on the P&L of this write-off. It is only the gross NPL that gets written-off. There is no impact on the P&L.

Mr. Hiren Dasani: Okay and secondly on the overseas subsidiaries, can you give some sense on where the lending is happening. I mean 33% of UK is now loans and 55% of Canada is loans. So, are these also India related or these are non-India related?

Mr. Rakesh Jha: In the previous quarter in terms of on an incremental basis in UK, the loan book has not really increased that much. In Canada, we had seen a growth on the loan book.

Mr. Hiren Dasani: No, I am saying on the outstanding basis, is it all related to India or….

Mr. Rakesh Jha: No, the India and non-India proportion broadly remains the same as we have said earlier. At the overseas branches we have close to about 90% of exposure to India or India-related clients. In the case of subsidiaries, it will be about 80% and that 80% excludes the US$ 1.6 million of exposure to mortgages which are federally insured in Canada.

Mr. Hiren Dasani: Okay, and the retail deposits which you are getting in both these countries also are part of the federally insured deposits there?

Mr. Rakesh Jha: In both UK and Canada, ICICI Bank deposits enjoy the benefit of insurance

Mr. Hiren Dasani: Okay and just on the MTM side, you said, US$ 25 million is lower in ICICI UK in P&L because of the shift from trading book to banking book, but this US$ 25 million would be part of the US$ 71 million which you have reported?

Mr. Rakesh Jha: Yes.

Mr. Hiren Dasani: Okay and the MTM policies would be same as for the other banks in those jurisdictions, right?

Mr. Rakesh Jha: Yes.

Mr. Hiren Dasani: Okay, thanks a lot.

Moderator: Next we have, Mr. Anand.

Mr. Anand: Can you reconcile the cumulative provisions for me because you said you had Rs. 59.7 billion outstanding in September, you added provisions of perhaps up to Rs. 10 billion during the quarter and you also had some write-offs, but how did you come to the Rs. 51.75 billion by December?

Mr. Rakesh Jha: You may not be able to reconcile the cumulative provision movement. For example, if there are any settlements, that will also get reflected here. So, it will not really be a direct reconciliation between the provisions.

Mr. Anand: Also, I would like to understand why have the savings deposits been declining quarter-on-quarter. Is this because of a shift to term deposits or is it because of a shift to other banks?

Mr. Rakesh Jha: As Chanda mentioned earlier that in the month of October and the first two or three weeks of November, we clearly did see a much lower accretion to our retail deposits, especially the savings deposit. That was the primary reason for the decline that we saw, and from December onwards, we have been seeing normal accretion to deposits. That was unique to ICICI Bank in terms of these unfortunate rumors that were there on the Bank. In general for the banking system as well, CASA deposits did decline in the current quarter, which was more because of the shift of savings deposits to term deposits.

Mr. Anand: What was the proportion of retail deposits to total deposits as on the last quarter and the current quarter.

Mr. Rakesh Jha: We do not disclose specific retail and wholesale deposits. We have given the savings deposits which largely reflects the retail deposits.

Mr. Anand: Okay. In insurance, have you actually made assumption changes this year, when you reported your 18.9% margin or is it still based on the previous assumptions?

Mr. Rakesh Jha: It is based on the previous assumptions only.

Mr. Anand: So, you would not have benefitted from the lower expenses yet in your margins?

Mr. Rakesh Jha: No. In any case the assumption on the expenses would even earlier, say a year back, would have been based on what it would be in the long-term or in the steady state.

Mr. Anand: Finally, can you give the numbers on new business premiums on an APE basis, how much was it in Q3 and how much was it year-to-date, and can you give me those numbers for FY '08?

Mr. Rakesh Jha: On the APE basis, the Q3 number was about Rs. 10.0 billion and that was about Rs. 16.8 billion in Q3 of last year, and in the nine months, it is about Rs. 37.6 billion, which was about Rs. 38.8 billion in the nine months of the last year.

Mr. Anand: Okay, thanks.

Moderator: Thank you sir. Next in line, we have Mr. Pankaj Chopra from Shanti Asset Management. Over to you Mr. Pankaj.

Mr. Pankaj Chopra: Just two questions, one is there seems to be a shift in strategy from retail starting last quarter. Do we maintain that? What is going to be the focus area for asset lending going ahead? I know consolidation is what is targeted in the short term, but what about the long-term of three to four years shift?

Mr. Rakesh Jha: Over the last six or seven quarters we have seen a much lower growth on the retail lending side, and the decline has been as you rightly said more sharper in the last couple of quarters. As again we have said recently that, in the current environment, we would really not like to be aggressive on the lending, be it either retail or corporate. So, the growth that you see going forward will continue to be very calibrated and it will be also be linked to the extent that we grow our retail deposits and

CASA deposits. So, that is the overall thought which is there in the current environment.

Mr. Pankaj Chopra: In regards to lending, I mean, I think we have about 55% of lending as a retail portfolio. Do you see that as a steady state or do you think that will come down?

Mr. Rakesh Jha: If we look at it over say the next 12 or 18 months, I would expect that to come down from the current level. It was about 65% six or seven quarters back, and it has declined to about 55% and I would see that declining a bit more in the next 12 or 18 months.

Moderator: Thank you Mr. Pankaj. Next on line, we have Mr. Anand.

Mr. Anand: Rakesh, I just want one clarification. Just wanted to know if in the international book or also in the domestic book, do you have loan against shares to any of the promoter?

Mr. Rakesh Jha: We would have loans in our portfolio in the domestic and overseas book where the security would be shares. So, we would have such loans.

Mr. Anand: Anything which you can share what could be the quantum or what sort of cover you are still carrying in this market?

Mr. Rakesh Jha: This will also be applicable not just for loans given to promoters. Even in a number of acquisition transactions, shares are taken as collateral. So, there is no specific number that we can disclose for the portfolio which has shares as a security. What I can say is that there are no defaults which have been there on this portfolio, and we have adequate coverage in this portfolio.

Mr. Anand: Fine. Rakesh, just one more thing. You just mentioned in the housing finance subsidiary, you had a loan outstanding of Rs. 110 billion, right, which is a de-growth compared to Q2? Q2 it was Rs. 120 billion right?

Mr. Rakesh Jha: It was slightly higher than that. I think it was about Rs. 5.00 billion higher.

Mr. Anand: Okay, fine. Thank you.

Moderator: Thank you sir. Next on line, we have Mr. Puneet.

Mr. Puneet: Hi, Rakesh. I have a question on this write-off of Rs. 16 billion. If you can tell us what would have been the tax rebate on this?

Mr. Rakesh Jha: Puneet, the only impact that it would have is a current tax benefit instead of a deferred tax benefit. It will have a cash saving in terms of that. At the time of making the provisioning, we would have anyway taken the benefit on the deferred tax basis.

Mr. Puneet: Okay, How much was the general provisioning in Q3?

Mr. Rakesh Jha: General provisioning was zero. As I said with the changed RBI guidelines, the requirement for us was significantly lower than what we are carrying currently.

Mr. Puneet: So everything was loan specific?

Mr. Rakesh Jha: Yeah.

Mr. Puneet: Okay, just one last question on this overseas, especially the UK investment book. Has there been any change in the size, especially in light of the recent event in the European Banking System?

Mr. Rakesh Jha: The portfolio it is broadly at the same level as it was at September 30th and the retail breakup of the UK investment book is given in the presentation as well.

Mr. Puneet: Sure, the investment book size remains more or less same?

Mr. Rakesh Jha: Yeah, only thing is that in dollar exchange rate has changed. So the numbers may appear a bit lower than that.

Mr. Puneet: Sure. Okay, thanks a lot.

Moderator: Thank you sir. Next on line, we have Mr. Ashwini Kumar.

Mr. Ashwini Kumar: I just have a couple of questions. Can I have the industry-wise breakup of your loan book?

Mr. Rakesh Jha: We do not put out an industry-wise disclosure on a quarterly basis. So, it would only be available for March 31st, which is available in the annual report.

Mr. Ashwini Kumar: Okay and what has been your incremental yield on advances?

Mr. Rakesh Jha: I think we do not specifically disclose incremental yield on the advances.

Mr. Ashwini Kumar: Okay, and is it possible for you to give the annualized gain in the HTM book?

Mr. Rakesh Jha: Somehow you are asking all questions that we do not disclose on a quarterly basis.

Mr. Ashwini Kumar: Okay, that is all. Thank you.

Moderator: Thank you sir. Next in line, we have Mr. Vishal Goel from Edelweiss. Over to you sir.

Mr. Vishal Goel: Hi, Rakesh. What would be the outstanding loans which you would have securitized?

Mr. Rakesh Jha: I can give you an approximate number, it is about Rs. 170 billion, but I will need to reconfirm that.

Mr. Vishal Goel: Okay, and the credit enhancement call, which is like first loss, where do we actually show it, it is part of NIM or it is part of provisions? So, whenever there are calls on FLDG, where do you really book it? Do you show it as part of the NIM or the part of provisions?

Mr. Rakesh Jha: It would be a part of the NIM. Whatever is related to securitization has been shown in NIM earlier. So, it would be a part of the NIM only.

Mr. Vishal Goel: Okay and just one more thing, with international loans in branches, which is basically part of 26% where the 90% is India linked, what proportion of this could be foreign business risk, where the corporate would be Indian, but he is taking a business risk outside India, any rough number there?

Mr. Rakesh Jha: I do not have the rough number on that right now, but it will be a material part of the portfolio because we have financed Indian businesses who have gone abroad. So, it will be a significant part of the portfolio.

Mr. Vishal Goel: Okay, and just last thing, on the branches, this 580 branches looks good. What could be the timeframe when you would want to open this?

Mr. Rakesh Jha: In the current calendar year.

Mr. Vishal Goel: But will it be spread out over the year? Would you want to open it in the next three months or six months?

Mr. Rakesh Jha: Not in the next three months, but in the current calendar year.

Mr. Vishal Goel: Okay. Thank you.

Moderator: Thank you sir. Next in line, we have Rahul Jain from CLSA. Over to you Mr. Rahul. Mr. Rahul Jain, you may go ahead with your question.

Mr. Rahul Jain: Can you give us the average duration of your term deposits?

Mr. Rakesh Jha: Typically the term deposits are of a maturity between six months to one year with the retail deposits being more of one year maturity and wholesale deposits being about nine months or ten months on an average maturity.

Mr. Rahul Jain: Thanks a lot. That answers my question. Thanks a lot.

Moderator: Thank you Sir. Next in line, we have Mr. Manish from Kotak Securities.

Mr. Manish: Hi Rakesh, just wanted to know the breakup of fee income for the third quarter in percentages terms if you can share?

Mr. Rakesh Jha: On the fee income, roughly retail would have been about 50% and the balance would have been corporate and overseas income.

Mr. Manish: Okay and has that thing changed compared to the previous few quarters?

Mr. Rakesh Jha: It has changed because as Chanda mentioned earlier. Given the lack of activity on the corporate side, the opportunities on the fee income on the corporate side has been impacted more than the retail side where only the retail lending fee and the distribution has been impacted while the credit card fees, the SME-linked fees, and the normal retail banking fees have continued.

Mr. Manish: Okay and on the corporate side, can you share what would be the lending-related fees that we would be getting, if we can have some percentages out there?

Mr. Rakesh Jha: Broadly, this is the breakup that we give.

Mr. Manish: Okay and on the term deposits, how much is the wholesale deposit proportion now?

Mr. Rakesh Jha: It would be about two-thirds to 70% of the term deposits.

Mr. Manish: Okay, thanks.

Mr. Rakesh Jha: I think we are done. We have ran out of time, so I would like to thank all of you for attending the call.

Moderator: Thank you sir. Ladies and Gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you.