ICICI Bank Limited
Earnings Conference Call – Quarter ended December 31, 2015 (Q3-2016)
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Moderator Ladies and Gentlemen, Good Day and Welcome to ICICI Bank's Q3-2016 Earnings Conference Call. As a reminder, all participant lines are in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. N.S. Kannan – Executive Director of ICICI Bank. Thank you and over to you, Sir.

N.S. Kannan: Good evening and welcome to the conference call on the financial results of ICICI Bank for the quarter ended December 31, 2015, that is the third quarter of the financial year 2016.

In my remarks today, I will cover:

- First: the macro-economic and monetary environment;
- then, our performance during the quarter; and
- finally, the performance of our subsidiaries and the consolidated results.

Let me start with the first part on the macro economic and monetary environment.

The global economic environment is challenging, with implications for the Indian economy and corporate sector. The International Monetary Fund has recently reduced its global growth projection for 2016 from 3.6% to 3.4%. Key recent developments globally include:

The increase in interest rates in the US, while most other economies continue to maintain or increase monetary accommodation, leading to pressure on currencies and capital flows;

The significant slowdown in the Chinese economy and devaluation of the Chinese currency by about 6.0% cumulatively, which have had negative implications for global demand and prices; and

The continuing decline in commodity prices. Crude oil prices are now down around 70% compared to June 2014. Metals are witnessing a sharp downward cycle.

India is relatively better placed given its strong external position, government policy measures & capital expenditure and healthy consumer demand. However, corporate sector cashflows & leverage issues continue to be challenging given the gradual progress in cashflow generation from projects, weak private sector investment and the impact of the global factors described above on key sectors. With respect to the monetary policy stance, the RBI has mentioned that developments on commodity prices, implementation of Pay Commission proposals, and its effect on wages and rents, and fiscal consolidation path will be key factors for future policy action.

With this background, let me now move to our performance during the quarter:

- First, with respect to **Credit growth:** The Bank's domestic loan portfolio grew by 20.4% on a year-on-year basis as of December 31, 2015, compared to an 11.2% growth in non-food credit for the system as of December 25, 2015. Loan growth for the Bank continues to be driven by the retail segment which grew by 24.0% year-on-year and constituted 43.8% of total loans as of December 31, 2015. The mortgage and auto loan portfolios grew by 24% and 21% respectively on a year-on-year basis. Growth in the business banking and rural lending segments was 23% and 25% year-on-year respectively. Commercial business loans grew by 11% on a year-on-year basis as of December 31, 2015 compared to a 5% year-on-year growth as of September 30, 2015 and a 13% year-on-year decrease as of December 31, 2014. The improvement in growth in commercial business loans was primarily driven by pickup in sales activity for the segment. The unsecured credit card and personal loan portfolio at 142.46 billion Rupees as of December 31, 2015 was about 3.3% of the overall loan book. The Bank continues to grow the unsecured credit card and personal loan portfolio primarily driven by its focus on cross-sell.

  Growth in the domestic corporate portfolio improved to 14.9% year-on-year as of December 31, 2015 from 7.5% year-on-year as of September 30, 2015. The Bank continues to focus on lending to higher rated corporates. A large proportion of the incremental lending was to well rated corporates including public sector undertakings in line with the strategy of the Bank. The SME portfolio grew by 22.9% year-on-year to 200.87 billion Rupees and constituted 4.6% of total loans at December 31, 2015.

  In rupee terms, the net advances of the overseas branches increased by 2.6% on a year-on-year basis due to the movement in the exchange rate. In dollar terms, the net advances of the overseas branches decreased marginally by 2.2% on a year-on-year basis as of December 31, 2015.

As a result of the above trends, total advances of the Bank increased by 15.8% on a year-on-year basis from 3.75 trillion Rupees as of December 31, 2014 to 4.35 trillion Rupees as of December 31, 2015.

- Moving on to **CASA deposits:** The Bank continued to maintain healthy CASA ratios on a period-end basis as well as daily average basis. Savings account deposits grew by 14.8% year-on-year to 1.27 trillion Rupees as of December 31, 2015. On a period-end basis, we saw an addition of 61.98 billion Rupees to savings deposits and 44.12 billion Rupees to current account deposits during the quarter. The period end CASA ratio was 45.2% as of December 31, 2015 compared to 45.1% as of September 30, 2015. The daily average CASA ratio was at 40.7% in Q3 of 2016 compared to 39.3% in Q3 of 2015.

- On **Costs:** The Bank's cost-to-income ratio was at 32.2% in the third quarter of fiscal 2016 and 35.6% in the nine months ending December 31, 2015, compared to 36.3% and 37.1% in the corresponding periods of fiscal 2015. Excluding the positive impact of the profit on sale of shares of ICICI Life during the quarter, the cost-income ratio for the nine month period would have been 37.4%. During the third quarter, operating expenses increased by 8.5% on a year-on-year basis. Non-employee expenses increased by 12.7% year-on-year in Q3 of 2016 compared to a 17.1% year-on-year increase in Q2 of 2016. The year-on-year increase in non-employee expenses was primarily on account of the larger distribution network and higher retail lending volumes.

- Coming to **Credit quality**: As mentioned earlier, the corporate sector continues to face challenges due to global and domestic factors. In particular, companies in the steel sector have been significantly impacted by the decline in global steel demand & prices, driven by slowing demand and rising exports from China. Chinese steel exports grew by about 25% during the period January to October 2015, on top of nearly doubling in 2014. During this period, steel imports into India increased by over 40%, compared to demand growth of about 4.5%.

  Further, Reserve Bank of India has articulated the objective of early and conservative recognition of stress and provisioning, with a target of completing this process by March 2017 and has undertaken discussions with banks in this regard. RBI has discussed loan accounts with banks, including us, and asked banks to review certain loan accounts and their classification over the two quarters ending December 31, 2015 and March 31, 2016.

  In view of the above factors, the Bank in Q3 of 2016 had gross additions of 65.44 billion Rupees to NPAs, including slippages of 13.55 billion Rupees from the restructured loan portfolio. The increase in the level of additions compared to the preceding quarter primarily comprises loans to a steel company.

  About two-thirds of the NPA addition in the quarter relates to cases highlighted by RBI. Additional loans aggregating to a similar amount may slip into NPA in the fourth quarter from the cases highlighted by RBI. About half of these loans are part of the already restructured portfolio of the Bank and relate to power projects. Based on the above, additions to NPAs in the fourth quarter may be broadly at the same level as the third quarter.

  Deletions from NPA during the quarter were 5.00 billion Rupees and the Bank has also written-off 6.56 billion Rupees of NPAs. We also sold NPAs aggregating to a small amount of 0.38 billion

Rupees during the quarter. The Bank's net NPA ratio was 2.03% as of December 31, 2015 compared to 1.47% as of September 30, 2015. The gross NPA ratio was 4.21% as of December 31, 2015 compared to 3.36% as of September 30, 2015. The provisioning coverage ratio on non-performing loans was 53.2% as of December 31, 2015. Including cumulative technical/prudential write-offs, the provisioning coverage ratio was 64.9%. The asset quality of the retail segment remains healthy and stable.

During the quarter, we had gross additions of 5.84 billion Rupees to restructured loans primarily on account of restructuring of one project loan in line with the criteria permitted by RBI. The net restructured loans for the Bank reduced to 112.94 billion Rupees as of December 31, 2015 compared to 118.68 billion Rupees as of September 30, 2015.

The aggregate gross NPAs and gross restructured loans increased by 70.57 billion Rupees from 263.36 billion Rupees at December 31, 2014 to 333.93 billion Rupees at December 31, 2015. The aggregate net NPAs and net restructured loans increased by 44.25 billion Rupees from 168.83 billion Rupees at December 31, 2014 to 213.08 billion Rupees at December 31, 2015.

Provisions for Q3 of 2016 were at 28.44 billion Rupees compared to 9.80 billion Rupees in Q3 of 2015 and 9.42 billion Rupees in Q2 of 2016.

During Q3 of 2016, the Bank implemented refinancing under the 5/25 scheme for loans aggregating about 4.50 billion Rupees and Strategic Debt Restructuring, or SDR, for loans aggregating about 16.70 billion Rupees. The Bank is currently considering further SDR aggregating approximately 12.00 billion Rupees, and 5/25 refinancing aggregating approximately 7.00 billion Rupees.

- Finally, on **Customer centricity**: The Bank continues to focus on enhancing its customer service capability and leveraging its increased branch network to cater to its customer base. During the quarter, the Bank added 102 branches and 408 ATMs to its network. As of December 31, 2015, the Bank has a branch network of 4,156 branches and 13,372 ATMs.

  During the quarter, the Bank was adjudged the winner in the category of ‘Best Website Design in Asia-Pacific’ at the Global Finance's 2015 World's Best Digital Bank Awards; and in the ‘IT Security Initiative Project’ category at the 11th Annual eINDIA Summit Awards. The Bank continues to be the market leader in mobile banking with a market share of about 27-28%, based on value of mobile banking transactions in October and November 2015. Our digital mobile wallet - Pockets - has seen over 3.0 million downloads with significant interest from non-ICICI Bank customers. As a result of our constant focus on digital channels, currently over 60% of total transactions for our savings account customers are done through new age digital channels and less than 10% of the transactions are done through branches.

  Recently, the Bank launched two new digital initiatives to simplify and speed up the assessment for new home loans as well as disbursements linked to the construction stage of projects. The first initiative called ‘Express Home Loans’ allows online approval of home loans within eight working hours. This service is available for all salaried individuals, including non-ICICI Bank customers. The second initiative helps individuals taking home loans for under construction projects to get subsequent disbursements through the Bank’s ‘iLoans’ mobile application in a completely paperless way.

Let me move on to the key financial performance highlights for the quarter.

Net interest income increased by 13.3% year-on-year from 48.12 billion Rupees in Q3 of 2015 to 54.53 billion Rupees in Q3 of 2016. The net interest margin was at 3.53% in Q3 of 2016 compared to 3.46% in the corresponding quarter last year and 3.52% in the preceding quarter. The domestic NIM was at 3.86% in Q3 of 2016 compared to 3.88% in the corresponding quarter last year and 3.84% in the preceding quarter. Interest income on income tax refund was 1.23 billion Rupees in Q3 of 2016 compared to 0.64 billion Rupees in the corresponding quarter last year and 0.51 billion Rupees in the preceding quarter. International margins were at 1.94% in Q3 of 2016 compared to 1.67% in the corresponding quarter last year and 2.00% in the preceding quarter. The year-on-year improvement in international margins is largely on account of decrease in cost of borrowings.

Total non-interest income increased by 36.4% year-on-year from 30.91 billion Rupees in Q3 of 2015 to 42.17 billion Rupees in Q3 of 2016. With regard to the different components of non-interest income,

- Fee income grew by 7.2% from 21.10 billion Rupees in Q3 of 2015 to 22.62 billion Rupees in Q3 of 2016. While retail fees continue to grow at a healthy rate, the growth in overall fees remains impacted by subdued corporate activity and consequent decline in corporate fee income. Retail fees for the Bank constituted about two-thirds of overall fees in Q3 of 2016.

- During the third quarter, treasury recorded a profit of 14.42 billion Rupees compared to 4.43 billion Rupees in the corresponding quarter last year and 2.22 billion Rupees in the preceding quarter. The Board of Directors of the Bank at its meeting dated November 16, 2015 had approved the sale of Bank's shareholding of 6.0% in ICICI Life, comprising the sale of 4.0% to

Premji Invest/ its affiliates and 2.0% to Compassvale Investments Pte Ltd, an indirectly wholly-owned subsidiary of the Singapore-based investment company, Temasek, subject to government and regulatory approvals. During the quarter, the Bank received the approval of IRDAI for the sale of 4.0% shareholding in ICICI Life to Premji Invest/ its affiliates and the profit on sale was 12.43 billion Rupees.

- Other income was 5.13 billion Rupees in Q3 of 2016, compared to 5.38 billion Rupees in Q3 of 2015 and 5.50 billion Rupees in Q2 of 2016. The Bank received dividends from subsidiaries of 3.74 billion Rupees and had exchange rate gains relating to overseas operations of 1.43 billion Rupees during Q3 of 2016.

I have already spoken about the trends in operating expenses.

As a result of the above trends, the Bank's profit before provisions and tax increased by 30.2% from 50.37 billion Rupees in Q3 of 2015 to 65.60 billion Rupees in Q3 of 2016.

The Bank's standalone profit after tax increased by 4.5% from 28.89 billion Rupees in Q3 of 2015 to 30.18 billion Rupees in Q3 of 2016. The return on average assets was at 1.82% in Q3 of 2016 compared to 1.90% in Q3 of 2015.

The Bank's total standalone capital adequacy ratio including profits for the nine months ended December 31, 2015 was 16.74% and the Tier 1 capital adequacy ratio was 12.76%. Excluding profits for the nine months, the total capital adequacy ratio was 15.77% and Tier-1 capital adequacy ratio was 11.79%.

I now move on to the performance of subsidiaries and the consolidated results.

The profit after tax for ICICI Life in Q3 of 2016 was 4.36 billion Rupees compared to 4.62 billion Rupees in Q3 of 2015. The profit before tax increased by 4.8% year-on-year to 4.84 billion Rupees in Q3 of 2016 from 4.62 billion Rupees in Q3 of 2015. While the profit before tax grew by 8.0% year-on-year in 9M of 2016, the profit after tax was 12.47 billion Rupees for 9M of 2016 compared to 12.43 billion Rupees for 9M of 2015 due to normalization of the tax charge. The retail weighted received premium for ICICI Life grew by 11.1% on a year-on-year basis in 9M of 2016 compared to a growth of 4.5% for the industry. During the third quarter, the retail weighted received premium for ICICI Life declined by 2.9%. The company continues to retain its market leadership among the private players and had a market share of about 12.1% in 9M of 2016. The new business margin based on Indian Embedded Value, or IEV, methodology and target acquisition cost was at 13.8% in 9M of 2016 compared to 13.6% in FY2015.

During the quarter, the gross written premium of ICICI General grew by 21.3% on a year-on-year basis to 20.72 billion Rupees in Q3 of 2016 compared to about 12.9% year-on-year growth for the industry. The company continues to retain its market leadership among the private players and had a market share of about 9.1% in 9M of 2016. The profit after tax of ICICI General was at 1.30 billion Rupees in Q3 of 2016 compared to 1.76 billion Rupees in the corresponding quarter last year and 1.43 billion Rupees in the preceding quarter. The decrease in profits was primarily on account of higher claims due to the Chennai floods in Q3 of 2016.

The profit after tax for ICICI AMC increased by 22.4% from 0.67 billion Rupees in Q3 of 2015 to 0.82 billion Rupees in Q3 of 2016. With assets under management of over 1.7 trillion Rupees, ICICI AMC sustained its market position as the second largest mutual fund in India. The profit after tax for ICICI Securities was at 0.55 billion Rupees in Q3 of 2016 compared to 0.76 billion Rupees in Q3 of 2015.

The year-on-year decrease in profits was on account of decrease in brokerage revenues due to lower secondary market retail trading volumes.

Let me move on to the performance of our overseas banking subsidiaries.

The Bank's total equity investment in ICICI Bank UK and ICICI Bank Canada has reduced from 11.0% of its net worth at March 31, 2010 to 5.1% at December 31, 2015.

As per IFRS financials, ICICI Bank Canada's total assets were 6.68 billion Canadian Dollars as of December 31, 2015 compared to 6.47 billion Canadian Dollars as of September 30, 2015. Loans and advances were 5.76 billion Canadian Dollars as of December 31, 2015 compared to 5.61 billion Canadian Dollars as of September 30, 2015. The profit after tax for Q3 of 2016 was 5.4 million Canadian Dollars compared to 3.0 million Canadian Dollars for Q3 of 2015 and 6.6 million Canadian Dollars in Q2 of 2016. The capital adequacy ratio of ICICI Bank Canada was 23.7% at December 31, 2015.

ICICI Bank UK's total assets were 4.70 billion US Dollars as of December 31, 2015 compared to 4.64 billion US Dollars as of September 30, 2015. Loans and advances were 3.43 billion US Dollars as of December 31, 2015 compared to 3.20 billion US Dollars as of September 30, 2015. The growth in loans and advances was primarily due to lending to select local market corporates, subsidiaries & joint ventures of Indian companies and select multi-national corporations. The profit after tax for ICICI Bank UK for Q3 of 2016 was 0.6 million US Dollars compared to 6.1 million US Dollars in Q3 of 2015 and 0.6 million US Dollars in Q2 of 2016. The lower profits in Q3 of 2016 were on account of higher provisions on existing impaired loans. The capital adequacy ratio was 15.6% as of December 31, 2015.

Let me now talk about the overall consolidated profits.

The consolidated profit after tax was 31.22 billion Rupees in Q3 of 2016 compared to 32.65 billion Rupees in Q3 of 2015. The annualised consolidated return on average equity was at 13.5% in Q3 of 2016 compared to 15.5% in Q3 of 2015 and 15.3% in Q2 of 2016. Consolidated assets grew 12.9% from 7.93 trillion Rupees as of December 31, 2014 to 8.95 trillion Rupees as of December 31, 2015.

The Bank's total capital adequacy ratio on a consolidated basis, including profits for the nine months, was 16.75% and the Tier 1 capital adequacy ratio was 12.73% at December 31, 2015. Excluding profits for the nine months, the consolidated total capital adequacy ratio was 15.81% and Tier-1 capital adequacy ratio was 11.79%.

We believe that our current capital position, strong and diversified franchise and large distribution network give us the ability to leverage opportunities for profitable growth across our businesses. During the third quarter, we have achieved robust loan growth backed by a strong funding profile and maintained our operating efficiency. While we would focus on sustaining momentum in these areas, in the near term, non-performing asset additions and provisioning costs are expected to remain elevated. There will also be some impact of non-accrual of income on the higher level of non-performing assets on net interest margin and net interest income.

With these opening comments, my team and I will be happy to take your questions.

Moderator: Thank you very much sir. Ladies and Gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Gaurav Agarwal of E&R Advisors. Please go ahead.

Gaurav Agarwal: How much of the 5/25 refinancing this quarter and the pipeline is from the restructured book?

N. S. Kannan: 5/25 refinancing is for standard loans. These are projects that have got completed and based on the economic life of the project, banks would have refinanced them under the 5/25 scheme.

Gaurav Agarwal: So these are all standard loans, right?

N. S. Kannan: The Bank refinanced only Rs. 4.5 billion of loans under the 5/25 refinancing scheme during the quarter, which are standard loans.

Gaurav Agarwal: And similar is the case with SDRs also?

N. S. Kannan: SDRs will predominantly be from the restructured loans.

Gaurav Agarwal: Sir lastly, you mentioned that Q4 slippages would be in line with Q3. How much of that would be from the restructured book?

N. S. Kannan: What we have said is that about half of the slippages that could arise from cases highlighted by RBI would be from the restructured portfolio.

Gaurav Agarwal: Post this one-off kind of a quarter, will things get normalized?

N. S. Kannan: We mentioned that the Q3 numbers and the expected numbers for Q4 are largely arising out of the RBI review which will be taken care of by March 2016, the time limit given by RBI. Post that it will depend on several factors including the environment, our loan growth and so on.

Gaurav Agarwal: Lastly, how big is the steel account exposure, the one which slipped this quarter?

N. S. Kannan: Although I would not able to talk about a specific exposure, what I mentioned was that the out of the aggregate NPA addition of Rs. 65 billion, two-third is related to the cases highlighted by RBI which is predominantly one steel company.

Moderator: Thank you. Our next question is from the line of Kashyap Zaveri of Capital 72 Advisors. Please go ahead.

Kashyap Zaveri: I had a question on the margins. During the quarter gross NPA moved up by about Rs. 5,500 crores on which there would be some de-recognition of income. Despite that on a Q-o-Q basis, margins have remained stable. What explains this resilience in margins?

Rakesh Jha: In terms of the margins, one, of course, while we are seeing the impact of the reduction in base rate on the domestic loan portfolio, the funding cost has been coming down for us. And to the point which you mentioned on non-accrual of income on NPAs, as Kannan mentioned, going forward there will be some impact of that. We are expecting some impact of the non-accrual of interest income on margins which will come in from Q4.

Kashyap Zaveri: You mentioned about two-thirds of the Rs. 65 billion of NPAs were cases highlighted by RBI. How much of this would still be servicing both debt and interest on a standard basis? Would any of this be 90 days past due?

Rakesh Jha: These cases were not 90 days past due as of September 30, 2015 or when RBI would have looked at all these cases. As Kannan already mentioned, RBI is expecting banks to be more proactive and conservative and pushing towards early recognition.

Kashyap Zaveri: Would you be able to highlight of this Rs. 4,000 crores plus how much would still be servicing debt and interest?

N. S. Kannan: As we mentioned, it is predominantly one steel exposure. Beyond that it is very difficult to give precisely how much is servicing or not servicing debt and interest. Many of these cases would not be more than 90 days overdue.

Moderator: Thank you. Our next question is from the line of Praful Kumar of Birla Sun Life Insurance. Please go ahead.

Praful Kumar: Out of the total SMA-2 book, how much is already impaired in terms of NPA, restructured book, 5/25 refinancing and SDRs?

Rakesh Jha: The banks does not disclose details about the SMA-2 portfolio.

Praful Kumar: No, I do not want to know the number, just the percentage of overlap. If you can give us some sense of how much is already taken, that will be useful.

Rakesh Jha: But without the number, percentage will not be meaningful.

N. S. Kannan: As I mentioned in my opening remarks, you could probably for the moment look at the aggregate net NPL and net restructured loans which in one form is vulnerable. The amount increased from Rs. 168.83 billion at December 31, 2014 to Rs. 213.08 billion at December 31, 2015. Thus there has been Rs. 44 billion of additions to this vulnerable bracket.

Praful Kumar: Given the fact that there is significant NPL addition in the second half of the year and your assumption of provisioning with respect to ageing and fresh accretion of NPAs, can you give us some sense of the credit cost for FY2017?

Rakesh Jha: We would be looking at that and talk about it in the coming quarter.

Moderator: Thank you. Our next question is from the line of Varun Khandelwal of Bullero Capital. Please go ahead.

Varun Khandelwal: I was trying to read into your NPA numbers. You mentioned that a large part of this was a steel company that was not overdue as yet, correct?

N. S. Kannan: Yes, what Rakesh mentioned is that the account did not slip into NPL on account of being 90 days past due during the course of RBI's review last quarter. Classification as NPL was on account of some inherent weakness in the steel company given the steel price reduction we have seen in the recent past and RBI's philosophy of proactive early recognition of stress.

Varun Khandelwal: I will just reframe my question, if RBI had not had this policy that they have come up with, would this steel company still have been an NPA?

N. S. Kannan: That will be a bit hypothetical. We can only say that given where the steel prices are, it would have been vulnerable. But now that we have classified it will be hypothetical to say whether it would really be an NPA or not.

Varun Khandelwal: And you were guiding for around Rs. 5,000-odd crores of NPA for next quarter also, correct?

N. S. Kannan: What we had said was that Rs. 65 billion is the incremental addition to NPL in Q3 and two-third of that is on account of the cases highlighted by RBI. Further, we also mentioned that a similar amount may slip into NPA in the fourth quarter from the cases highlighted by RBI.

Varun Khandelwal: So when you say similar, you mean another Rs.65 billion?

N. S. Kannan: Yes, that is what we really mean.

Rakesh Jha: There will be two components to it, one component is the cases highlighted by RBI and the second are slippages in the normal course of the business every quarter. We are saying that the total number would be similar in the next quarter.

Varun Khandelwal: Do we then look at gross NPA ratio of around 4.5%-5% by next quarter?

Rakesh Jha: From the 4.21% levels, is that what you are asking?

Varun Khandelwal: Yes.

Rakesh Jha: Yes. The increase will however depend on the asset growth during the quarter as well.

Varun Khandelwal: And RBI has a second list which is to be complied by March 2017. Impact of that has not been factored into these numbers, correct?

N. S. Kannan: Yes. RBI has identified certain restructured cases and talked about building up a provision of 2.5% every quarter over a period of six quarters to achieve a provisioning of 15% by March 2017. Since these are restructured cases, prima facie, they will at least have a 5% provisioning and hence would not impact numbers this year. For the next year, the aggregate provision would be about Rs. 3.5 billion.

Varun Khandelwal: So the total impact of the whole RBI review will be about Rs. 15,000-16,000 crores?

N. S. Kannan: Rs. 3.5 billion for next year in the context of the overall profit for the year is a relatively small number. That is why I was focusing on what has been recognised as an NPA in this quarter and the pipeline for the next quarter.

Moderator: Thank you. Our next question is from the line of Alok Ramachandran of Future Generali. Please go ahead.

Alok Ramachandran: My question is regarding the Uday scheme that the Government of India has announced. What is the discom exposure that you currently have in current books?

Rakesh Jha: It is really a minimal exposure.

Alok Ramachandran: 50% is going to come in this year of the government loans at your base rate plus 25 bps. What would you do with these bonds since they are low yielding?

Rakesh Jha: As I said, since our exposure is insignificant, the impact of this will also be very insignificant.

Alok Ramachandran: What is the amount?

N. S. Kannan: Not a material amount to talk about at all.

Alok Ramachandran: Even though it is a non-SLR would you like to keep it as an HTM? Are you requesting the Government for that?

N. S. Kannan: No, since our numbers are not at all significant we are not making any request in this regard.

Moderator: Thank you. Our next question is from the line of Adarsh Parasrampuria of Nomura. Please go ahead.

Adarsh P.: Just a couple of questions. Firstly, on the incremental NPAs, it seems that we have done about 50% provisioning, just wanted to understand is it your expectation of write-offs that you would have on these accounts or since you have got some one-off gains you are kind of buffering up the balance sheet?

Rakesh Jha: Provisioning on NPA continues to be in line with the same policy as in the earlier quarters. There is no additional provisioning that we have done. For some of these cases especially, when they slip into NPA from the restructured category, the effective date of NPA is when the loan had got restructured so the provision requirement becomes a higher number. All that has been considered and provisions have been made accordingly.

N. S. Kannan: So to answer your question, these additional cases which I talked about of having been highlighted by RBI, the provision would clearly be above 15%, which is the minimum requirement for NPA because it would have been considered as if it had become NPL earlier because of the restructuring failure in some cases.

Adarsh P.: And second question I had was on the restructured book. You mentioned that slippages in Q4 would be at a similar level seen in Q3 and 50% of that will come from the restructured book. Also, another

Rs. 3.5 billion will need to be provided for the rest of the book in the coming fiscal on account of the RBI review. So add these numbers up, I think it is Rs. 7,000-8,000 crores of the restructured book which means that almost the whole book looks delinquent. What is your sense of the behaviour on these accounts?

Rakesh Jha: There are certain restructured cases which RBI has identified across all banks and as Kannan mentioned we have loans outstanding to some of those borrowers. On an overall basis, slippages from the restructured portfolio has been high for banks including us. The portfolio of restructured loans has got impacted clearly slower economic growth than what was anticipated at the time of restructuring and some of the specific challenges in the commodities cycle and construction sector. So indeed the slippages have been higher than what we had anticipated in the past.

Adarsh P.: Last question. Is the RBI list mostly domestic accounts only and not overseas accounts? I am asking in the context of some of the overseas coals assets which we have, so just wanted to understand that whether the list that RBI has given is mainly domestic exposures?

Rakesh Jha: RBI has looked at the portfolio for all banks and identified these accounts. There is nothing specific that they have done only for domestic or only for the overseas portfolio.

Moderator: Thank you. Our next question is from the line of Manish Karwa of Deutsche Bank. Please go ahead.

Manish Karwa: Just reconciling a few numbers, out of the Rs. 65 billion of slippages you mentioned two-thirds, which is about Rs. 44 billion was from one steel account. Is that right?

Rakesh Jha: No, what I mentioned was that the out of the aggregate NPA addition of Rs. 65 billion, two-third is related to the cases highlighted by RBI which is predominantly one steel company.

Manish Karwa: So two-thirds by RBI, Rs. 13.5 billion was from restructured, that is aside of RBI or is that …

N. S. Kannan: There could be some common overlaps also there.

Manish Karwa: And for the next quarter you are seeing a similar number but half of that would come from the restructured book?

Rakesh Jha: What Kannan was saying that from the RBI's review perspective, of the cases that have been highlighted this quarter, we could have a similar number next quarter, half of which would be restructured.

Manish Karwa: But if I just exclude that then your normal run rate of slippages would have been very low. If two-thirds came due to RBI's review, a little bit from the restructured portfolio then the remaining part of slippages may not be much. And once you are done with the March quarter would it be fair to assume that the slippages actually fall off quite a lot?

N. S. Kannan: For the current quarter, if we keep aside the RBI identified or highlighted cases, NPA additions were about Rs. 20 billion, so that run rate is still there. Going forward, it will be a function of the economy, how the commodity sector plays out and RBI's approach over the next few quarters. We will have to consider all these factors and then reach that conclusion.

Manish Karwa: And for steel exposure, has the entire funded, non-funded overseas exposure become an NPL now?

N. S. Kannan: For us, most of it was funded exposure, all of which is classified as an NPA. Whether it is domestic or overseas does not really matter, once the account is classified as an NPA, all facilities are automatically classified as an NPA.

Manish Karwa: And lastly, if I just look at your NPAs, restructured loans, slippages, 5/25 and SDR in aggregate, I think by March we will already be clocking about 15-16% of the non-retail loan book into that segment. Do you think that there will be a lot more than that as well to be recognized in the stress category of your corporate book?

Rakesh Jha: I hope you would be adjusting for some of the things like SDR which mostly comes from the restructured portfolio. Broadly if you look at the retail portfolio, the numbers for us are healthy and stable. Going forward, I think I mentioned the factors which we will have to take into consideration with respect to some of the sectors like steel, power and construction; the economic outlook, RBI's approach and the portfolio of restructured loans.

Manish Karwa: And lastly, out of your steel exposure how much would now be classified as NPL?

Rakesh Jha: That would be about 13% or so.

Manish Karwa: 13% of your steel exposure?

Rakesh Jha: Yes, of the loans to steel sector about 13% are classified as NPAs as of December 31, 2015.

Moderator: Thank you. Our next question is from the line of Ravikant Bhatt of IDBI Capital. Please go ahead.

Ravikant Bhatt: I was looking at your standalone numbers and there has been quite a lot of deferred tax provision reversals this year particularly in the third quarter, if you could just provide some colour on what is causing this?

Rakesh Jha: That would be because of the provisions that are there on which deferred tax asset gets created.

Ravikant Bhatt: If the provisioning run rate continues at a similar level are we going to see similar kind of reversals? From a tax rate point of view, would the tax rate continue to be more subdued vis-à-vis FY2015?

Rakesh Jha: Actually provisions do not have an impact on the effective tax rate because that is only the current tax versus deferred tax impact, overall impact on the P&L remains the same. The lower tax rate that we have seen in the quarter is because of the capital gains realized on the sale of stake in ICICI Life and the expected sales in the fourth quarter. For the year, one has to estimate the overall income composition and based on that the effective tax rate is worked out.

Ravikant Bhatt: Would it revert back to normal tax rate in FY2017?

Rakesh Jha: If there are no significant capital gains the tax rates will revert to the normal levels.

Moderator: Thank you. Our next question is from the line of Rakesh Kumar of Elara Capital. Please go ahead.

Rakesh Kumar: Wanted to better understand what RBI is actually communicating to the banks with respect to this loan accounts review. Is it that RBI is only asking banks to review and to the satisfaction of the central auditors the banks can decide whether the loan is NPL or not, or there is, whatsoever no discretion given by RBI to banks? What is the actual communication?

N. S. Kannan: I can only repeat what I have said earlier. Also, if you see RBI's press releases as well as the statements in various interviews, clearly banks are being encouraged to make conservative provisions and have early recognition of stress. As part of this exercise, RBI highlighted a set of accounts based on which banks are supposed to look at those cases and then classify. The exercise we have conducted is in line with the discussion with RBI as well as the statutory auditor. That is the only thing we can say, beyond that I can't comment.

Rakesh Kumar: Secondly pertaining to the steel account which was classified as a NPL, it has got exposure in the US where they are making pellets and the account has also been discussed among some of the banks. So if an account is actually NPL then is it a group wise classification? Are we also classifying that US based pellet making steel company, where we have got exposure as NPL or not?

Anindya Banerjee: As Rakesh mentioned, when a particular account is classified as an NPL, a particular account means a particular company, and if ICICI Bank has an exposure to that particular company from various locations including let's say overseas branches and in India, then if one facility is classified as NPL, all the facilities granted by ICICI Bank to that particular company are classified as NPL. However, it does not cover the whole group becoming NPL or part of the group becoming NPL, it covers only the loans to that particular company becoming NPL.

Rakesh Kumar: Last question, regarding the incremental provision on the restructured book to 15% by end March 2017, if beyond FY2017, some of these accounts to the satisfaction of RBI is classified as non-performing would credit cost for those restructured accounts go up further?

N. S. Kannan: Yes, it really depends on what happens to these accounts in March 2017, till then we will have to monitor the performance. As I said, there are two things we will have to keep in mind in the context of ICICI Bank, on those set of accounts which are highlighted by RBI, we have already classified several accounts as NPL and the current provision coverage already incorporates that. In some banks it may not have been classified as NPLs but I cannot really comment on it. The second part I want to talk about is that, yes, by March 2017 we would have built up a 15% provision and depending on whether the restructuring continues to be a failure at that point in time or the company is back on track it will be assessed whether the account would be performing or non-performing. But what I mentioned in my answer to the earlier question is the fact that the total incremental provisioning required for FY2017 in respect of those assets is about Rs. 3.5 billion which means that the total value of those exposures highlighted by RBI is Rs. 35 billion only. In the Bank’s overall context that does not seem to be a large number to bother us compared to the other two aspects which we have discussed for this quarter and the next quarter.

Moderator: Thank you. Our next question is from the line of Sanket Godha of IDFC Securities. Please go ahead.

Mahrukh Adajani: Hi, this is Mahrukh, just had a couple of questions. Firstly, you mentioned that you may have some interest reversals in Q4 because then those would not be accounts where 90 day interest is being serviced but most of Q3 accounts were those were 90 day interest is being serviced. Is that a fair way to look at it?

Rakesh Jha: It may not be that simple because at the time of classification of loan as an NPA, the interest outstanding gets reversed. Thus, if a borrower has paid the last two-three instalments, the amount paid can be a small amount. It is more in the subsequent quarter that you see the impact of non-accrual of interest income. Consequently the impact of NPA addition in the December quarter will kind of be fully reflected in the March quarter assuming that the borrowers are not making interest payment at all.

Mahrukh Adajani: And the other thing is that some of these groups are at least claiming that they are going to be doing asset sales but now that you have classified a few of them as NPAs, will the promoter be really interested in asset sales? What would banks do to ensure that he does it?

Rakesh Jha: It is possible that in one or two cases, classification of an account as an NPA by banks can result in some delays, but from the point of view of other banks and us, we are pretty focused on ensuring that wherever asset sales or change in management or any other approach that we are following, we would sustain that and ensure that it gets done irrespective of the loan classification.

Mahrukh Adajani: You gave a good breakdown of the Rs. 65 billion of slippages, but did you mention anything related to power as well, I think I missed that point.

Rakesh Jha: Sorry, with respect to what?

Mahrukh Adajani: Power.

Anindya Banerjee: What Kannan mentioned is that that we expect a similar level of slippage next quarter due to the balance cases highlighted by RBI which significantly relate to the power sector and about half of that amount is already part of the restructured portfolio.

Moderator: Thank you. Our next question is from the line of Seshadri Sen of JP Morgan. Please go ahead.

Seshadri Sen: Firstly, just to reconfirm if I am reading the Basel III data right, most of the slippages in this quarter slip straight into D1 and D2. About Rs. 33 billion to D1 and Rs. 18 billion to D2.

Rakesh Jha: Yes, that data would be correct.

Seshadri Sen: Secondly, what would trigger a reversal of the recognition of these NPAs? If there have been accounts which presumably were paying interest and principal till last quarter and you have recognized it more as a prudent RBI measure, then what would be the trigger for a reversal of these back into performing loans? How have you discussed that with RBI?

Rakesh Jha: As Kannan mentioned indeed these accounts were weak accounts. And these accounts like any other NPA would get upgraded on full repayments of overdues in cash, from the operations of the company.

Seshadri Sen: So just an asset sale or restructuring of the balance sheet or an equity infusion would not cut it, it has to be a full repayment?

N. S. Kannan: Yes, those are also good sources because there are external sources coming into the company in form of cash which go into paying our debt and the interest. It will definitely help, yes.

Seshadri Sen: And would you have to go back to the RBI to take an approval to reverse these accounts or is that between you and your auditors?

N. S. Kannan: It is between us and our auditors.

Moderator: Thank you. Our next question is from the line of Ramnath Venkateshwaran of LIC Nomura. Please go ahead.

R. Venkateshwaran: Just wanted to understand on the balance sheet clean-up that RBI has been discussing by March 2017, if the recognition is going to happen by March 2016 what more is left for us to basically go up to March 2017? Is it that only the additional provisioning on the restructured book has to be identified or is there something else? Is there is going to be another list that RBI is going to come out with?

N. S. Kannan: Beyond what we have already said we cannot really comment on RBI's actions but you would also see that there are some asymmetric classifications across banks of some of these assets. What is NPA in one bank may not be an NPA in another bank. I guess, probably, I am clearly speculating here, next few quarters is the alignment time so that the entire system recognizes all these assets uniformly. And clearly on the other side as you rightly mentioned, the cases where restructuring has failed, RBI has given time till March 2017 to build up provisions up to 15%. I think these two things are the reason why the timeframe of March 2017 is mentioned.

R. Venkateshwaran: What is the loss given default for some of these sectors? Would you be proactive and provide more for it, say in the remainder of the year or so whenever you are getting some of these capital gains?

Rakesh Jha: We will have to see that. As of now we are planning to make provisions as per our current policy which is broadly in line with what

RBI requires for corporate loans and on the retail side we do higher provisioning.

N. S. Kannan: Yes, the only thing that I want to highlight in this context is that we have already announced a couple of transactions in terms of sale of stake in the group companies, and as I mentioned in my opening remarks, about Rs. 12 billion of gains has been there in the last quarter with respect to our 4% stake sale in the life insurance subsidiary. If the FIPB approval and IRDA approval come on time, in the current quarter that is the fourth quarter we will have another Rs. 21 billion of gain to be recorded. Thus, in the overall context of the P&L we need to keep that in mind. And as you said, going forward if there are any capital gains, clearly the Board will evaluate that option as well.

R. Venkateshwaran: That should help clear the perception or strengthen the balance sheet further. If these are accounts where you are perceived to be weak you can be slightly more conservative and provide more.

N. S. Kannan: In some of these cases, as Rakesh mentioned certain accounts have directly slipped into doubtful 1 and doubtful 2 bucket, to that extent the provision is much higher than what it would have been had the account just about slipped to NPL.

Moderator: Thank you. Our next question is from the line of Venkatesh Sanjeevi of Pictet Asset Management. Please go ahead.

Prashant: Hi, this is Prashant from Pictet Asset Management. Again on the RBI exercise, one thing I wanted to understand about these NPAs which are a result of RBI's review, when and how do we really upgrade these accounts? I mean do we need to take permission from RBI to do that?

N. S. Kannan: As we said earlier there is no need for any permission, but there has to be payment arising out of the operational performance of the company or any specific asset sale or any of the promoter contribution coming into the company and that goes towards cash settlement of dues to the institutions, subsequently it becomes a zero arrear situation and it can be upgraded. But that is entirely between the management and the auditors, my understanding is that we do not have to seek specific approval on a case by case basis from the RBI.

Prashant: And second question was, in your experience does this kind of proactive recognition helps or does it hinder the probability of recoverability from such accounts?

N. S. Kannan: I can only say that our recovery actions will really continue whether it is tagged NPA or otherwise. And then the regulator's suggestions and directions will have to be kept in mind in running our operations as a regulated entity. Those are the only two things I can say, beyond that it is hypothetical to see whether it will be better to classify it as NPL or otherwise in terms of classification.

Moderator: Thank you. Our next question is from the line of Mayank Bukrediwala of Goldman Sachs. Please go ahead.

Tabassum: Hi, this is Tabassum here. Sorry, again have questions on the asset quality. So basically when RBI came to you and talked about these 150 accounts, say there were 15 of them, are you using any discretion of exceptions or all of these 15 accounts or, whatever the number is, is classified as an NPL in this quarter and the next quarter includes all accounts?

Anindya Banerjee: We are not able to comment on these 150 accounts or any number of accounts as such. I think what we have said is that RBI is asking banks to be proactive and conservative in recognition of stress and making provisions and to that end they have highlighted some cases. About two-thirds of the NPL additions in the current quarter relate to such cases and we expect that potentially a similar aggregate amount could slip next quarter.

Tabassum: So there is no discretion?

N. S. Kannan: Beyond that, no we are really not able to comment on it. This exercise has been going on for some time, there have been multiple discussions with RBI in this regard and the final situation is as summarized by Anindya just now.

Tabassum: And another question, Kannan you have talked about the uniform NPL classification is what perhaps RBI is trying to do over the next year or so, you would know which accounts have been classified as NPL by the industry. Would we have many such accounts, any percentage that you can share with us which are still not classified as an NPL by ICICI Bank but classified by others?

N. S. Kannan: It will be too premature to comment, we will to see how the situation evolves, these are early days, we have seen a couple of banks come out with the results. We will have to really wait and see.

Tabassum: And just one final question on the asset quality. Will the provisioning requirement in the fourth quarter remain as high as what you had this quarter? Will you be able to postpone it, say in case the regulatory clearances do not come through and you cannot book the capital gains or you will go ahead and make the provisions any which way?

Anindya Banerjee: These are not linked; I mean they are separate line items in the P&L.

Tabassum: Yes that is true, so you do not have a discretion and you will have to basically make the provision

N. S. Kannan: Provisions will be made irrespective of any other development. I also mentioned that the deals have been already announced and discussions around the approval process are going on. We were successful in getting one approval, so I just wanted to highlight that that there is a possibility of that happening in Q4, but this provision will be irrespective of that.

Tabassum: One final thing, employee cost seems up just 2%, anything specific there because it seems quite low, particularly given that the industry is facing a lot of competition from other banks and we have seen other banks report higher numbers?

Rakesh Jha: In terms of the salaries, there is an annual increase that we do every April, which is fully factored in. There are two other components, provision for retirals, when the interest rates go up the provision requirement on retirals come down for us, vis-à-vis last year Q3 they could be somewhat lower. And then there is bonus that you pay to employees which is accrued over the year and which can vary across quarters.

Moderator: Thank you. Our next question is from the line of Deepak Agarwal of Axis Mutual Fund. Please go ahead.

Deepak Agarwal: Can you share your exposure to 10 large leveraged groups and basically what percentage of that would be NPA, restructured, 5/25 and SDR?

Rakesh Jha: It is very difficult to talk about which companies or borrowers or borrower groups without naming them. We have not made any such specific disclosure on this account.

Deepak Agarwal: And sir how confident are you that we are closer to the peak in terms of the asset quality stress because we have seen a spike in NPAs in Q3 as well as Q4? Do you think we are largely done or could this continue even in FY2017?

Rakesh Jha: As I said, I think we and all the other banks will assess FY2017 as we go into this quarter. There are a few things which we have to take into consideration like the commodity cycle, domestic economic growth which is slower than what was anticipated and the approach that RBI has towards asset classification and provisioning by banks. Before we do this exercise, it will be too premature to kind of conclude.

N.S. Kannan: In the meantime our collection efforts on the restructured portfolio and the NPAs will continue with dedicated teams working on that. Second, in terms of incremental lending, retail growth will always be higher than the corporate growth and to that extent the balance sheet will move more towards retail on the asset side. Then on the corporate side, as I mentioned growth during the quarter was on account of higher rated corporates including public sector units, which will continue. We will continue to focus on these segments, including SME. I think rather than getting too nervous about what will slip this quarter or next quarter we thought we should just stick our strategy as we have done during the quarter and put our best efforts for recovery of cases which are restructured and NPA.

Deepak Agarwal: Sir just one last thing, you mentioned that 13% of our steel exposure has slipped into NPA?

N.S. Kannan: Yes.

Deepak Agarwal: If this is the NPA, how much is the 5/25 refinancing, SDR and restructured book of the total book? What would the cumulative number be?

Rakesh Jha: For steel that would be about 20%.

Deepak Agarwal: 20% of steel exposure would be among these, so 80% is essentially standard?

Rakesh Jha: Yes.

Moderator: Thank you. Our next question is from the line of Sumeet Kariwala of Morgan Stanley. Please go ahead.

Anil: Hi Kannan and Rakesh, this is Anil. I had a question not on the asset quality but on your overseas business. Just wanted to understand what is the size of the overseas business in Hong Kong because of the volatility in both the CNH-HIBOR and HKD-HIBOR markets. How exposed are you to that market either from a lending perspective or borrowing perspective? So the questions are, one is, if possible can you give what is the size of your Hong Kong branch balance sheet? Second, are you a lender or a borrower from these inter-banks markets? And third, CNH-HIBOR specifically has moved up quite a bit and given that you do raise RMB deposits, you would have some RMB lending in Hong Kong also. I am assuming all of that is to Indian borrowers, but are you seeing any stress from the increase in interest rates on those borrowers?

Rakesh Jha: Anil, as you know in our overseas book including the Hong Kong branch, bulk of the funding is in the form of either capital market issuances or funds that we have raised from export credit agencies and we have a much smaller amount of funding coming in from deposits or other inter-bank borrowings. I do not currently have the exact numbers on this, but it is not anything material.

Anil: That is great Rakesh. We are just checking with all the foreign banks that operate in Hong Kong as some of the foreign banks are facing issues. Thank you.

Moderator: Thank you. Our next question is from the line of Kaushal Patel of India Nivesh. Please go ahead.

Kaushal Patel: Sir I would like to know, within domestic advances, SME has grown quite significantly in the last quarter, I understand the base is low compared to other corporates and retail but any reason behind it?

Anindya Banerjee: Yes, as you said the base is low and we had not been growing the portfolio for some time. The growth here is mainly due to incremental lending in sectors like agriculture co-operatives, services sectors like hotels and so on, typically most of the lending here is relatively smaller ticket. It is quite diversified across sectors and is of reasonably good rating quality.

Kaushal Patel: Right, so do you see any traction from particularly this segment, going forward can there be high demand particularly from SME side?

Anindya Banerjee: Yes, we should see some traction as the economy continues to gradually improve and given that we have traditionally not been that big in this business and most of our historical SME portfolio was actually more like a small corporate portfolio. We should see this part of the book at least kind of keeping pace with the overall domestic loan growth.

Moderator: Thank you. Our next question is from the line of Dhaval Gala of Birla Sun Life Mutual Fund. Please go ahead.

Dhaval Gala: I had a couple of questions, one is assuming that you will not give any guidance on credit cost for FY2017 now, but just to put it in context, not as a guidance but more of a trend, should that number be closer to the FY2016 range of 140 to 150 basis points or would it definitely be trending down?

Rakesh Jha: Instead of estimating and guessing right now I think it is better that we do a proper assessment and talk about this together with our Q4 numbers.

Dhaval Gala: Why I was asking you this question is that not many of these corporates were vulnerable or stressed six months back. If we could thus give an encouraging perspective from the bank that what could the LGDs from these corporates or what could be the assessment of actual credit cost because that helps in understand because say if one has to look at last six months we always had been guiding numbers which was much lower than 100 basis points or a number which would have been closer to 100 basis points. So could that type of volume impact could be there even in next year?

Anindya Banerjee: I think we have been talking of a 100 basis points like number, but in discussions we have also been talking about, for instance the downturn in the commodity cycle and steel in particular being in a much worse position today than it was a year ago and the fact that it would impact some of the steel companies that are more leveraged. As Rakesh mentioned, I think we have to look at the commodity cycle, the domestic growth, the pace of corporate investment and the regulatory approach as well before we really come to a conclusion. There is no change in our efforts to resolve these assets whether it is by getting in new funds or a sale of assets or reducing leverage at the group level in some of the groups. And to the extent that these are productive assets with large facilities on the ground, certainly there should be good prospects of recovery, although there is also a timing issue to that. It is not really possible to give a very clear outlook for next year now, we will have to look at some of these factors and then come to a conclusion.

N. S. Kannan: I would also sort of supplement it by saying that if you are looking at projects in the core sector, given that they are backed by plant and machinery and solid assets on the ground, the replacement value is also quite high given the current cost and prices. We think that eventual LGD should be minimal and we have seen this phenomenon playing out even as a project finance company in terms of the commodity cycle in the past. It is about navigating the current situation of early recognition of stress and making prudential provisions.

Dhaval Gala: And just one more question, the account which slipped in this quarter, the group would definitely have large exposure but would the company in the same segment have more exposure which is standard on our books? The reason I am asking this question is that maybe the facility could be both in India and overseas with altogether different assets and different companies, would that have an issue say for classification change in the medium-term?

N. S. Kannan: I can only repeat what I said, if it is in the same company different exposures from different locations of ICICI Bank Limited, then everything will together be classified as NPA. I also mentioned in my opening remarks that it is to a steel company, I don't have anything further to add on that.

Moderator: Thank you. Our next question is from the line of Sandeep Baid of Quest Investments. Please go ahead.

Sandeep Baid: Can you give us some colour on the asset quality of your overseas subsidiary and also if you could separately give the gross NPA figure for the overseas book?

Rakesh Jha: The overseas branches are covered in the overall numbers for the parent bank itself. In UK and Canada we have seen some increase in impaired loans over the last few quarters, mostly in some of the India linked assets. In the last two or three quarters the impaired loan number has not increased but the provisions have gone up for this set of loans.

Sandeep Baid: Is it possible to separately share the gross NPA number for the overseas book?

Rakesh Jha: For Canada it is about…

Sandeep Baid: No, the overseas book.

N.S. Kannan: As far as the branches are concerned, those numbers are factored into the overall bank numbers and we don't really give a branch wise breakup. We could give you the numbers for subsidiaries.

Sandeep Baid: Okay, if you can give it for subsidiaries.

Rakesh Jha: The NPA ratio for the Canadian subsidiary was about 3.7% and UK subsidiary was about 5.5% at December 2015.

Sandeep Baid: These are the gross NPA numbers?

Rakesh Jha: Yes.

Sandeep Baid: And the net NPA?

Rakesh Jha: We would let you know.

Moderator: Thank you. Our next question is from the line of M.B. Mahesh of Kotak Securities. Please go ahead.

M.B. Mahesh: Again, a couple of questions on the asset quality front. Just wanted to if you have a corporate loan term lending and working capital lending, has RBI differentiated banks based on these exposures or they say all forms of exposures to the company has to be declared as impaired? Second question, for the next quarter you said slippages could be from the power sector, does it include any form of fuel related acquisitions that you have done? Third question is from the restructured book, when it slips into NPA the off-balance sheet also gets classified as NPA or not, if possible if you have a number on this.

Anindya Banerjee: On your first question, I think we have said it a couple of times that if a company is to be classified as an NPA then both term lending and working capital have to be classified as an NPA. There is no concept of facility wise NPA, it is a companywide classification.

M.B. Mahesh: No, given that you have corporate lending, RBI could have said that term lending automatically gets classified as NPA whereas working capital lending could be exempt?

N. S. Kannan: I do not think we will be able to answer it. Effectively, if we are talking about inherent weakness of the company, whether it is working capital or term loan should not matter.

M.B. Mahesh: Sure. On the other two questions?

Anindya Banerjee: On the second question, we spoke of power projects which are essentially the domestic power projects. On the third question, the non-fund facilities become fund based and show up as addition, if they are related to an NPA, as and when they devolve and become fund based.

M.B. Mahesh: But has that been the case in your bank?

Anindya Banerjee: There would have been some.

M.B. Mahesh: You had a lot of exposure to construction companies, just trying to understand was there heavy devolvement from the restructured book as well?

Anindya Banerjee: There would have been some instances of devolvement.

N. S. Kannan: There have been instances especially in the EPC construction companies, yes.

M.B. Mahesh: And my last question, do you see a tail risk as some of these very large groups are being declared as impaired by RBI? Will some of the SME sectors also start feeling the pain again in the next few quarters?

Anindya Banerjee: In terms of their suppliers and stuff like that?

M.B. Mahesh: Perfect.

Anindya Banerjee: Nothing specifically. I think in many of these cases the plants are also running in some way, although, of course the company cash flows are stressed.

Moderator: Thank you. Our next question is from the line of Kunal Ojha of Emkay. Please go ahead.

Umang Shah: This is Umang here. I have a question which is similar to what Deepak had asked, basically after all the stress that we are recognizing in Q3 and Q4 either in form of fresh slippages, 5/25 or SDR, if you could just quantify as to what could be your residual exposure to some of these highly leveraged groups. I understand that you would like to refrain from giving any specific names but even overall exposure without any names or sectoral exposures could help.

Rakesh Jha: Disclosures regarding industry wise exposures, including steel and construction where there is stress, are given on a regular basis either as a part of our presentation or in the Pillar III disclosures. I guess the challenge with these highly leveraged groups is that one is not sure which groups are referred to. We may communicate something, you may understand something different so we do not really want to get into that kind of thing. We will see what else we can do to provide more information in future.

Moderator: Thank you. Our next question is from the line of Anurag Mantri of Jeffries. Please go ahead.

Anurag Mantri: Firstly, just coming back to the asset quality question, is it safe to assume that at the end of March 2016 after all the classification has been undertaken by different banks based on RBI's exercise, the asset classifications of the accounts which have been highlighted by RBI will be the same across all banks?

N. S. Kannan: We really do not know and as of now whatever little we understand, it may not be the same, but beyond that how the harmonization will be achieved we cannot really comment on it.

Anurag Mantri: Sir any guidance that you can give us on the fresh restructuring for Q4?

N. S. Kannan: We do not have any pipeline as such.

Anurag Mantri: And another question is that, overall the 10% provision which you spoke about for FY2017 on account of the already restructured assets, do you think that 10% number would be sufficient for those accounts or ideally you want to provision more for it resulting in costs going up?

N. S. Kannan: No, as I mentioned that some of those accounts are already classified as NPA and ageing based provisions are done as per the IRAC norms. This Rs. 3.5 billion we talked about is the incremental provision for those cases which have not yet been classified as NPA. We will monitor the performance and are hopeful that we may not be required to do further provisioning, but that we will have to wait and see how the performance is till March 2017.

Anurag Mantri: Any guidance for loan growth for the retail and the corporate book for this year and next?

N. S. Kannan: For this year, I think our original expectation of growing ahead of the system continues. On the retail side, we are hopeful of 25% growth on a year-on-year basis. The corporate book has just started growing. We had said earlier that we would soon like to grow in the teens, the expectation continues. On an overall basis, we still believe that our domestic growth will be ahead of system growth. As Rakesh mentioned, when we do budgeting for the next year, we will probably be able to give a better sense on what is the likely growth rate for next year.

Moderator: Thank you. Our next question is from the line of Manish Agarwal of Phillip Capital. Please go ahead.

Manish Agarwal: Just a couple of data points, can you share the total 5/25 and SDR done till date and the number of accounts?

N. S. Kannan: The Bank has implemented refinancing under the 5/25 scheme for loans aggregating about Rs. 35 billion and SDR, for loans aggregating about Rs. 19 billion.

Manish Agarwal: Can you share the number of accounts in both the categories?

N. S. Kannan: We have not really given that. Those will be a handful single-digit number of accounts.

Manish Agarwal: And did you hear anything from RBI regarding additional provision for SDR or 5/25 cases, going forward?

N. S. Kannan: Nothing that we have heard from RBI.

Manish Agarwal: Second question is on the security receipts which have declined on a quarter-on-quarter basis, is it a write-down or have you received a payment on this?

Rakesh Jha: It is a mix of both. We got some redemptions on SR and we had taken some provisions as well.

Manish Agarwal: Can you provide the breakup of your provision?

Rakesh Jha: On which one?

Manish Agarwal: In terms of NPL and standard asset?

N. S. Kannan: It would largely be towards NPL.

Manish Agarwal: What would be the MTM on SRs?

N. S. Kannan: The number is quite small in the context of the overall P&L, we have not really given that breakup.

Moderator: Thank you. Our next question is from the line of Nilanjan Karfa of Jeffries. Please go ahead.

Nilanjan Karfa: Question on dividend, have you thought about reducing your dividend payment in order to conserve capital, is that something you would want to talk about?

Rakesh Jha: In terms of capital, actually we are at 12.7% or so of Tier-I including the profit for nine months, hence this is not something which we have kind of looked at.

Nilanjan Karfa: Let's assume you do not get the approval of the stake sale or even otherwise, maybe you decide to go ahead and provision a little more, is that something you want to…

N. S. Kannan: As Rakesh said, as of now we have not thought about it because the capital adequacy is very comfortable. If required I am sure the Board will examine it at an appropriate point of time.

Nilanjan Karfa: And on uniform NPA, if an asset is classified as SMA or NPA, you would typically have to declare it within a fortnight, right? Assuming all the banks declare their earnings in the next couple of weeks or so, then within a month you would have a fair idea of additionally which account needs to be classified as an NPA, would that be a fair assumption?

Rakesh Jha: You are right that there is a database which banks can access and understand how various banks are categorizing accounts.

Nilanjan Karfa: No, I mean would you not want to do a pre-disclosure of any kind if you see that numbers are changing beyond what you have currently guided, given the lack of clarity at the moment?

N. S. Kannan: As and when we have more information, of course we will look at it. It is premature right now to be able to comment on that.

Nilanjan Karfa: Last question, assuming you have got x numbers of accounts from RBI, let's assume that is 50, would you be able to tell us for how many of those accounts, as a percentage have been able to convince RBI that you have a possible resolution?

Rakesh Jha: I think on RBI, Kannan has at various points of time in this call said all that has to be said.

Moderator: Thank you. Our next question is from the line of Manisha Porwal of Taurus Mutual Fund. Please go ahead.

Manisha Porwal: Sir, just two questions. One is on your contingent liability, how much of your contingent liability would you have used this quarter and what remains?

Rakesh Jha: Contingent provision?

Manisha Porwal: I am so sorry, yes provision.

Rakesh Jha: We have been providing by and large as per the RBI norms, so there is no contingent provision or its utilization.

N. S. Kannan: Yes, we only have a standard asset provision of about Rs. 26 billion, that is the only other provision which is there in the balance sheet.

Manisha Porwal: And Sir I just wanted to know what additional lending to these accounts would continue after this classification because they were actually standard accounts in the book. And if yes, what would be the differential treatment given to these loans in terms of rates, would the rates increase and how difficult it will be for these corporates to then seek loans from the other banks because they are already an NPA in your books.

Anindya Banerjee: I think it will really depend on the case and the facts of the situation, if there is visibility on cash generation, EBITDA, fund infusion by the promoter or another investor or asset sale and there is a visible plan for the company, banks will look at providing additional working capital funds. But yes, definitely the fact that a larger lender has classified it as non-performing will create more challenges. In terms of rates, I guess it would depend on the overall financing structure and the operational plan.

Manisha Porwal: Would this RBI list make you classify other accounts also based on the criteria suggested by RBI in this circular? In case of highly leveraged accounts would you not wait for them to be 90 days past due but recognise them as NPA?

N. S. Kannan: My understanding is that RBI is not going to come out with any separate guideline or circular, provisions will continue to be guided by the current IRAC circular. However, banks are encouraged to follow a more conservative approach aimed towards early recognition.

Manisha Porwal: And sir you mentioned that some of these accounts have gone in D1 and D2 directly, did I get it that right?

N. S. Kannan: Yes, you are right. The reason is that for some of the accounts which have slipped from restructured loans to NPA during the quarter, the account becomes NPA effective the day on which it got restructured resulting in incremental provisions and a bucket change.

Moderator: Thank you. Ladies and Gentlemen, that was our last question. I would now like to hand the floor back to Mr. Kannan for his closing comments.

Rakesh Jha: On an earlier question, the net NPA ratio for ICICI Bank Canada was 2.3% and that for ICICI Bank UK was 2.9% at December 31, 2015.

N. S. Kannan: Thank you once again. It was a long call and thank you for patiently listening in. My colleagues and I will be happy to take any other questions you have offline. Thank you. Bye.

Moderator: Thank you. Ladies and Gentlemen, on behalf of ICICI Bank that concludes this conference. Thank you for joining us and you may now disconnect your line.