ICICI Bank Limited

Earnings conference call - Quarter ended September 30, 2021 (Q2-2022)

Oct 23, 2021

Certain statements in this release relating to a future period of time (including inter alia concerning our future business plans or growth prospects) are forward-looking statements intended to qualify for the 'safe harbor' under applicable securities laws including the US Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. These risks and uncertainties include, but are not limited to statutory and regulatory changes, international economic and business conditions, political or economic instability in the jurisdictions where we have operations, increase in non-performing loans, unanticipated changes in interest rates, foreign exchange rates, equity prices or other rates or prices, our growth and expansion in business, the adequacy of our allowance for credit losses, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks, changes in India's sovereign rating, and the impact of the Covid-19 pandemic which could result in fewer business opportunities, lower revenues, and an increase in the levels of non-performing assets and provisions, depending inter alia upon the period of time for which the pandemic extends, the remedial measures adopted by governments and central banks, and the time taken for economic activity to resume at normal levels after the pandemic, as well as other risks detailed in the reports filed by us with the United States Securities and Exchange Commission. Any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of the date of this release. ICICI Bank undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof. Additional risks that could affect our future operating results are more fully described in our filings with the United States Securities and Exchange Commission. These filings are available at www.sec.gov.

This release does not constitute an offer of securities.

Moderator:

Ladies and gentlemen, good day and welcome to ICICI Bank Q2-2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sandeep Bakhshi -- Managing Director and CEO of ICICI Bank. Thank you. And over to you, sir.

Mr. Bakhshi's opening remarks

Good evening to all of you and welcome to the ICICI Bank Earnings Call to discuss the results for Q2 of FY2022. Joining us today on this call are Vishakha, Anup, Sandeep Batra, Rakesh and Anindya.

We hope that you are safe and in good health. India has witnessed a steady decline in Covid-19 cases and a massive pickup in the vaccination programme since June. India has now crossed the milestone of administering 100 crore vaccination doses. We would like to extend our gratitude to the efforts and dedication of all health workers and essential service providers for their untiring efforts in the recovery from the pandemic. I would also like to take a moment to thank our employees for their service to customers in these challenging times. We are happy to share that now almost all our employees have received at least one dose of the vaccine.

Economic activity has continued to improve since June. The Ultra Frequency Index, comprising several high frequency indicators tracked by the Bank's Economic Research Group, has steadily increased from 99.6 in the first week of July 2021 to 105.5 in September 2021 and reached 110.3 in the week ending October 17. The underlying economic activity continues to show an upward momentum owing to higher peak power demand, e-way bill generation and rail freight revenues, improved vehicle registrations on the back of the festive season, and rising labour force participation rate in urban areas. Overall industrial activity is above pre Covid-19 levels. The progress in the vaccination programme is supporting an improvement in mobility indicators. We expect the festive season to give further impetus to economic activity.

During the challenging period of the last 18 months, we at ICICI Bank have continued to strengthen our franchise and delivery and servicing capabilities, with a range of digital initiatives. Our loan portfolio has performed well in the face of the challenges posed by the two waves of the pandemic, behaving either in line with or better than our expectations. We aim to create holistic value propositions for our customers through our 360-degree customer-centric approach and focus on opportunities across client and segment ecosystems. Cross-functional teams have been created to tap into key customer and market segments, enabling 360-degree coverage of customers and increase in wallet share. We will continue to steadily grow our business and franchise within our strategic framework.

Coming to the quarterly performance against this framework:

1. **Growth in the core operating profit in a risk-calibrated manner through the focused pursuit of target market segments**

The core operating profit increased by 23.3% year-on-year and 10.6% sequentially to 95.18 billion Rupees in this quarter. The profit after tax grew by 29.6% year-on-year and 19.4% sequentially to 55.11 billion Rupees in this quarter.

2. **Further enhancing our strong deposit franchise**

Growth in deposits continued to be strong at 17.3% year-on-year at September 30, 2021. During the quarter, average current account deposits increased by 35.7% year-on-year and average savings account deposits by 24.9% year-on-year. The liquidity coverage ratio for the quarter was 133%, reflecting continued surplus liquidity. Our cost of deposits continues to be among the lowest in the system.

3. **Growing our loan portfolio in a granular manner with a focus on risk and reward**

The retail loan portfolio grew by 20.0% year-on-year and 5.0% sequentially at September 30, 2021. With the increase in economic activity, disbursements across all retail products increased sequentially in this quarter. Mortgage disbursements were close to the level seen in Q4 of 2021, reflecting the increase in demand coupled with our seamless customer onboarding experience through pre-approved offers and digitisation. Disbursements of personal loans and auto loans were also close to Q4 of 2021 levels. Credit cards in force increased by 6.0% sequentially and the value of credit card spends grew by 47.0% sequentially. Spends across most categories other than travel crossed March 2021 levels in September. We expect the momentum in spends to continue in the festive season.

The business banking and SME portfolios grew by 43.1% year-on-year and 42.0% year-on-year respectively. Sequentially, the business banking portfolio grew by 12.3% and the SME portfolio grew by 11.3%. We are observing a steady uptick in the number of credit enquiries and with our digital offerings and platforms like InstaBIZ, Merchant Stack and Trade Online, we believe that there is significant potential for growth across these portfolios.

Excluding the builder portfolio, the growth in the domestic corporate portfolio was about 14% year-on-year at September 30, 2021.

Overall, the domestic loan portfolio grew by 19.0% year-on-year and 4.0% sequentially.

4. Leveraging digital across our business

Our digital platforms are continuously evolving to enable best-in-class end-to-end seamless digital journeys, offer personalized solutions and value added features to customers and enable more effective data-driven cross-sell and up-sell. These platforms also enable us to acquire new customers. We have shared some details in slides 18 to 30 of the investor presentation.

We have seen significant increase in adoption of our mobile banking app, iMobile Pay. There were about 1.5 million activations from non-ICICI Bank account holders in the current quarter, taking the total activations to 4 million as of end-September. The transactions by non-ICICI Bank account holders in terms of value and volume respectively were three times and thirteen times higher in September 2021 compared to June 2021. We are seeing a rapid rise in payment transactions through repeat use of features such as 'Pay to Contact' and 'Scan to Pay'.

We continue to expand the suite of services offered through iMobile Pay to achieve high engagement levels with users. Recently, we launched a facility which enables our savings account holders to manage dues of credit cards of any bank through iMobile Pay. We also launched a contactless payment facility on iMobile Pay which enables users of android based smartphones to make credit and debit card payments on POS terminals in a safe and secure manner by tapping their phones.

The financial transactions on our digital platform for businesses, InstaBIZ, and our supply chain platforms have grown steadily in the past few quarters. The value of financial transactions on InstaBIZ grew by about 80% year-on-year in Q2 of 2022. We have onboarded about 200 corporate customers on our supply chain platforms. About 70% of the dealers of these customers are active on our supply chain platforms. The value of transactions through these platforms increased 4.7 times year-on-year in Q2 of 2022.

The proportion of end-to-end digital sanctions and disbursements across various products has been increasing steadily. About 32% of our mortgage sanctions and 40% of our personal loan disbursements, by volume, were end-to-end digital in H1 of 2022. About 95% of the overdraft facilities set up for business banking current account customers were end-to-end digital in H1 of 2022. 40% of asset and liability accounts opened during the quarter were through digital channels.

An important element of our strategy to grow our risk-calibrated core operating profit is to serve the complete financial requirements of customers and their ecosystems. The ICICI STACK for corporates is being continuously enhanced. We have created 19 industry specific STACKs which provide bespoke and purpose-based digital solutions to corporate clients and their ecosystems. The volume of transactions through these solutions grew 2.4 times year-on-year in Q2 of 2022. These solutions along with the depth of our coverage have supported the strong growth in our average current account deposits. Further, the Bank is well positioned to capture the opportunities arising from the growing FDI and capital market flows.

We are focusing holistically on the merchant ecosystem, both directly and through partnerships. Our Super Merchant current account which offers various benefits such as digital account opening and instant overdraft facilities based on point-of-sale transactions has been receiving a good response from customers. We have partnered with Amazon India to offer instant overdraft to sellers, including non-ICICI Bank customers, on its portal. We have also launched an instant overdraft facility for

MSMEs registered on the GEM Sahay application through API integration with the OCEN network.

5. Protecting the balance sheet from potential risks

Net NPAs declined by 12.3% sequentially to 81.61 billion Rupees at September 30, 2021 from 93.06 billion Rupees at June 30, 2021. The net NPA ratio declined to 0.99% at September 30, 2021 from 1.16% at June 30, 2021. The net additions to gross NPAs during the quarter were 0.96 billion Rupees. The total provisions during the quarter were 27.14 billion Rupees or 28.5% of core operating profit and 1.44% of average advances. The provision coverage ratio on NPAs was 80.1% at September 30, 2021. The total fund based outstanding to all standard borrowers under resolution as per various guidelines was 96.84 billion Rupees or about 1.3% of the total loan portfolio at September 30, 2021. The Bank holds provisions of 19.50 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines. In addition, the Bank continues to hold Covid-19 provisions of 64.25 billion Rupees or about 0.8% of total loans as of September 30, 2021.

6. Maintaining a strong capital base

The capital position of the Bank continued to be strong with a CET-1 ratio of 17.33% at September 30, 2021, including profits for H1 of 2022. Further, the market value of the Bank's investments in listed entities of the Group is about 1 trillion Rupees.

Looking ahead, we see many opportunities to grow our core operating profit in a risk calibrated manner. Using ICICI STACK, we will create digital journeys and offer personalized and customized solutions to the customers to suit their life-stage and business needs. We will continue to build flexibility and agility in the Bank to tap into opportunities across ecosystems. We believe that our ongoing investments in technology, people and distribution network, our prudent risk management practices and our strong balance sheet will enable us to drive growth in our core operating profit in a risk-calibrated manner. We continue to be guided by our philosophy of "Fair to Customer, Fair to Bank", emphasising the need to deliver fair value to customers while creating value for shareholders. We will continue to focus on delivering consistent and predictable returns to our shareholders.

I now hand the call over to Rakesh.

Rakesh's opening remarks

Thank you, Sandeep. I will talk about balance sheet growth, credit quality, P&L details, capital adequacy, portfolio trends and performance of subsidiaries.

A. Balance sheet growth

The overall loan portfolio grew by 17.2% year-on-year and 3.6% sequentially at September 30, 2021. The domestic loan portfolio grew by 19.0% year-on-year and 4.0% sequentially at September 30, 2021. The retail portfolio grew by 20.0% year-on-year and 5.0% sequentially. Within the retail portfolio, the mortgage loan portfolio grew by 25.0% year-on-year, and rural loans and auto loans by 16.1% each. The commercial vehicles and equipment portfolio declined by 5.0% year-on-year. Growth in the personal loan and credit card portfolio was 20.7% year-on-year. This portfolio was 724.16 billion Rupees or 9.5% of the overall loan book at September 30, 2021.

The business banking portfolio grew by 43.1% year-on-year and 12.3% sequentially at September 30, 2021. The SME business, comprising borrowers with a turnover of less than 2.5 billion Rupees, grew by 42.0% year-on-year and increased by 11.3% sequentially.

The growth of the domestic corporate portfolio was 11.5% year-on-year. Excluding the builder portfolio, the growth was about 14% year-on-year, driven by disbursements to higher rated corporates and PSUs across various sectors to meet their working capital and capital expenditure requirements. We are focusing on providing the full suite of banking products to corporate clients and their ecosystems.

The overseas loan portfolio declined by 8.6% year-on-year and 3.5% sequentially at September 30, 2021. The overseas loan portfolio was 5.1% of the overall loan book at September 30, 2021. The non-India linked corporate portfolio reduced by 56.9% or about

1.1 billion US Dollars year-on-year and 15.9% or about 154 million US Dollars sequentially, at September 30, 2021. We have provided the breakup of our overseas corporate portfolio on slide 16 of the investor presentation.

Coming to the funding side: average savings account deposits increased by 24.9% year-on-year and 4.3% sequentially. Average current account deposits increased by 35.7% year-on-year 4.6% sequentially. Total term deposits grew by 12.5% year-on-year to 5.3 trillion Rupees at September 30, 2021.

B. Credit quality

Net NPAs declined by about 12.3% sequentially to 81.61 billion Rupees at September 30, 2021 from 93.06 billion Rupees at June 30, 2021. The net NPA ratio decreased to 0.99% at September 30, 2021 from 1.16% at June 30, 2021.

The net additions to gross NPA were 0.96 billion Rupees in the current quarter compared to 36.04 billion Rupees in the previous quarter. There were net deletions of 5.54 billion Rupees from gross NPAs in the retail and business banking portfolios and net additions of 6.50 billion Rupees to gross NPAs in the corporate and SME portfolios.

The gross NPA additions declined to 55.78 billion Rupees in the current quarter from 72.31 billion Rupees in the previous quarter. The gross NPA additions from the retail and business banking portfolio were 46.24 billion Rupees and from the corporate and SME portfolio were 9.54 billion Rupees. The gross NPA additions from the corporate and SME portfolio were almost entirely from borrowers rated BB and below as of June 30, 2021, and devolvement of non-fund based outstanding to NPAs.

Recoveries and upgrades from NPAs, excluding write-offs and sale, increased to 54.82 billion Rupees from 36.27 billion rupees in the previous quarter. There were recoveries and upgrades of 51.78 billion Rupees from the retail and business banking portfolio and 3.04 billion Rupees from the corporate and SME portfolio. The recoveries and upgrades in the current quarter include upgrades of 11.67 billion Rupees where resolution was implemented as per RBI's framework. The gross NPAs written-off during the quarter were 17.17 billion Rupees. The Bank sold gross NPAs amounting to 0.90 billion Rupees in Q2 of 2022 on a cash basis.

The non-fund based outstanding to borrowers classified as non-performing was 37.14 billion Rupees as of September 30, 2021 compared to 41.01 billion Rupees at June 30, 2021. The Bank holds provisions amounting to 17.71 billion Rupees as of September 30, 2021 on this non-fund based outstanding.

The outstanding to all borrowers where resolution was implemented as per Covid-19 framework 2.0 was 41.58 billion Rupees. The outstanding to borrowers where resolution was implemented as per Covid-19 framework 1.0 and later modified as per Covid-19 framework 2.0 was 1.18 billion Rupees. The total fund based outstanding to all standard borrowers, under resolution as per various guidelines was 96.84 billion Rupees or about 1.3% of the total loan portfolio at September 30, 2021 compared to 48.64 billion Rupees at June 30, 2021. Of the total fund based outstanding under resolution at September 30, 2021, 69.92 billion Rupees was from the retail and business banking portfolio and 26.92 billion Rupees was from the corporate and SME portfolio. The Bank holds provisions of 19.50 billion Rupees against these borrowers, which is higher than the requirement as per RBI guidelines. Over 95% of the loans under resolution in the retail and business banking portfolio are secured loans.

Till the last quarter, we disclosed the rating-wise breakup of the total loan book wherein the retail loan portfolios were grouped under various categories at the product level. Based on feedback received, from this quarter we have disclosed the rating-wise details of the non-retail portfolio comprising domestic corporate, SME, business banking and overseas advances in order to provide a more transparent presentation of the rated portfolio. The details are given on slide 38 of the investor presentation.

The proportion of overdues across most products in the performing retail, SME and business banking portfolio as of September 30, 2021 has reduced compared to June 30, 2021 and has reached March 2021 levels. Less than 1% of the performing corporate portfolio is overdue as of September 30, 2021.

C. P&L Details

Net interest income increased by 24.8% year-on-year to 116.90 billion Rupees. Interest on income tax refund was 0.30 billion Rupees this quarter compared to 0.14 billion Rupees in the previous quarter and 0.26 billion Rupees in Q2 of last year. The net interest margin was at 4.00% in this quarter compared to 3.89% in the previous quarter and 3.57% in Q2 of last year. The domestic NIM was at 4.09% this quarter compared to 3.99% in Q1 and 3.72% in Q2 last year. International margins were at 0.26%. The cost of deposits was 3.53% in Q2 compared to 3.65% in Q1. The sequential increase in NIM in this quarter was primarily due to decline in cost of funds and lower interest reversals on NPAs.

Non-interest income, excluding treasury income, grew by 26.2% year-on-year to 44.00 billion Rupees in Q2 of 2022

- Fee income increased by 21.4% year-on-year to 38.11 billion Rupees in Q2. Fees from retail, business banking and SME customers grew by 24.6% year-on-year and constituted about 77.9% of the total fees in this quarter.
- Dividend income from subsidiaries and listed entities was 5.83 billion Rupees in this quarter compared to 3.34 billion Rupees in Q2 of last year. The dividend income this quarter includes final dividend of ICICI General and higher final dividend from ICICI Securities compared to Q2 of last year.

On Costs: The Bank's operating expenses increased by 28.0% year-on-year in Q2 reflecting the low base of Q2 last year. The employee expenses increased by 21.2% year-on-year. The Bank had slightly over 100,000 employees at September 30, 2021. The employee count has increased by about 8,000 in the last 12 months. Employee expenses in Q2 include an impact of about 1.25 billion Rupees due to fair valuation of ESOPs granted to all employees post April 1, 2021 for the current and previous quarter as required by RBI guidelines. Non-employee expenses increased by 32.3% year-on-year in this quarter primarily due to retail business and technology related expenses. We will continue to invest in technology, people, distribution and building our brand.

The core operating profit increased by 23.3% year-on-year and 10.6% sequentially to 95.18 billion Rupees in this quarter.

There was a treasury gain of 3.97 billion Rupees in Q2 compared to 2.90 billion Rupees in Q1 and 5.42 billion Rupees in Q2 of the previous year.

The total provisions during the quarter were 27.14 billion Rupees or 28.5% of core operating profit and 1.44% of average advances. There was no writeback of Covid-19 related provisions during the quarter. The provisioning coverage on NPAs continued to be robust at 80.1% as of September 30, 2021. In addition, we hold 19.50 billion Rupees of provisions on borrowers under resolution and Covid-19 related provisions of 64.25 billion Rupees. The Covid-19 provisions are about 0.8% of loans. At September 30, 2021, the total provisions, other than specific provisions on NPAs, were 149.51 billion Rupees or 2.0% of loans. Given the performance of the portfolio, we are confident that these provisions will completely cushion the balance sheet from the potential credit losses which may arise due to the pandemic.

The profit before tax grew by 36.7% year-on-year to 72.01 billion Rupees in this quarter compared to 52.66 billion Rupees in Q2 of last year. The tax expense was 16.90 billion Rupees in this quarter compared to 10.15 billion Rupees in the corresponding quarter last year. The profit after tax grew by 29.6% year-on-year to 55.11 billion Rupees in this quarter compared to 42.51 billion Rupees in Q2 of last year.

In accordance with the Scheme of Arrangement between ICICI General and Bharti AXA General Insurance, assets and liabilities of Bharti AXA’s general insurance business vested with ICICI General on the appointed date of April 1, 2020. The Bank’s consolidated financial statements for Q1 of 2022 have been restated to reflect the scheme and there was no material impact on the consolidated profit after tax. The consolidated profit after tax was 60.92 billion Rupees this quarter compared to 48.82 billion Rupees in Q2 of last year.

D. Capital

The CET1 ratio, including profits for H1 of 2022, was 17.33% at September 30, 2021 compared to 17.01% at June 30, 2021. The Tier 1 ratio was 18.53% and the total capital adequacy ratio was 19.52% at September 30, 2021.

E. Portfolio information

We have been growing our loan portfolio in a granular manner with a focus on risk and reward. Our retail portfolio has been built based on proprietary data and analytics in addition to bureau checks, utilising the existing customer database for sourcing in key retail asset products through cross sell and up-sell and pricing in relation to the risk. In the business banking and SME business, our focus is on parameterised and programme based lending, granularity, collateral and robust monitoring. Credit summations in the overdraft accounts of business banking and SME customers have continued to grow consistently in this quarter and reached March 2021 levels in September. We have given further information on our retail and business banking portfolio in slides 37 to 47 of our investor presentation.

The loan and non-fund based outstanding to performing corporate and SME borrowers rated BB and below was 127.14 billion Rupees at September 30, 2021 compared to 139.75 billion Rupees at June 30, 2021 and 119.29 billion Rupees at September 30, 2020. The details are given on slide 39 and 40 of the investor presentation.

Similar to the last quarter, other than three accounts, one each in construction, power and telecom sectors, the maximum single borrower outstanding in the BB and below portfolio was less than 6 billion Rupees at September 30, 2021. At September 30, 2021, we held provisions of 9.60 billion Rupees on the BB and below portfolio compared to 9.76 billion Rupees at June 30, 2021.

The builder portfolio including construction finance, lease rental discounting, term loans and working capital loans was 228.14 billion Rupees at September 30, 2021 or 3% of our total loan portfolio. Our portfolio is granular in nature with the larger exposures being to well-established builders. About 13% of our builder portfolio at September 30, 2021 was either rated BB and below internally or was classified as non-performing.

F. Subsidiaries and key associates

The details of the financial performance of subsidiaries and key associates is covered in slides 51-52 and 71-76 in the investor presentation.

The new business premium of ICICI Life grew by 45.0% year-on-year to 64.61 billion Rupees in H1 of 2022. The VNB margin increased from 25.1% in FY2021 to 27.3% in H1. The profit after tax of ICICI Life was 2.59 billion Rupees in H1 of 2022 compared to 5.91 billion Rupees in H1 of last year. ICICI Life had a net loss of 1.86 billion Rupees in Q1 of 2022 primarily on account of Covid-19 claims and provisions made for incurred but not reported claims. The profit after tax increased by 46.6% year-on-year to 4.45 billion Rupees in Q2 of 2022.

Gross Direct Premium Income of ICICI General was 86.13 billion Rupees in H1 this year compared to 64.91 billion Rupees in H1 last year. The combined ratio was 114.3% in H1 of this year compared to 99.8% in H1 last year. The profit after tax was 4.46 billion Rupees this quarter compared to 4.16 billion Rupees in Q2 last year. Prior period numbers are not comparable due to the reflection of the Scheme of Arrangement in the current period numbers.

The profit after tax of ICICI AMC was 3.83 billion Rupees in this quarter compared to 2.82 billion Rupees in Q2 of last year reflecting the growth in AUM.

The profit after tax of ICICI Securities, on a consolidated basis, increased by 26.3% year-on-year to 3.51 billion Rupees in this quarter from 2.78 billion Rupees in Q2 of last year.

ICICI Bank Canada had a profit after tax of 8.4 million Canadian dollars in this quarter compared to 5.1 million Canadian dollars in Q2 last year and 5.0 million Canadian dollars in the previous quarter. The sequential increase in profit after tax of ICICI Bank Canada is mainly due to lower loan loss provisions. The loan book of ICICI Bank Canada at September 30, 2021 declined by 8.8% year-on-year.

ICICI Bank UK had a profit after tax of 2.0 million US dollars this quarter compared to 4.9 million US dollars in Q2 of last year and 2.9 million US dollars in Q1 of 2022. The loan book of ICICI Bank UK at September 30, 2021 declined by 28.9% year-on-year and 8.8% sequentially. During the quarter ICICI Bank UK repatriated capital of 200 million US dollars to the parent bank.

As per Ind AS, ICICI Home Finance had a profit after tax of 0.46 billion Rupees in the current quarter compared to 0.02 billion Rupees in Q2 of last year and 0.17 billion Rupees in the previous quarter. The sequential increase in profit after tax is mainly due to lower provisions.

With this we conclude our opening remarks and we will now be happy to take your questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mahrukh Adajania from Elara Capital.

Mahrukh Adajania:

My first question is on provisioning policy. Was there was any tightening of provisioning policy this quarter too?

Rakesh Jha:

No, there is no change in provisioning policy that we have done during this quarter.

Mahrukh Adajania:

In terms of restructuring, what would be the tenure of moratorium? How much moratorium have you given on an average on retail loans?

Rakesh Jha:

It would vary across the products but maybe typically you can say about a year or so.

Mahrukh Adajania:

Within restructuring, you said that 95% is secured assets, but if you follow the loan composition, so it'll be a higher proportion of mortgages, would that be fair to assume?

Rakesh Jha:

The restructuring is spread across the portfolio. So, indeed there will be mortgage portfolio, commercial vehicles, there will be some amount of car loans, smaller amounts of business banking; it's spread across all portfolios. There is nothing specific to highlight on that.

Mahrukh Adajania:

My last question is on loan growth. Of course, you've achieved a very good loan growth and from third quarter we will hit a very high base as well. But given the loan demand that you see and the under penetration in your own liability accounts, would 6-7% sequential growth be possible over the next few quarters?

Rakesh Jha:

Our focus is on growing the risk calibrated core operating profit. I think loan growth is one of the drivers. Depending on the overall demand, the risk that we perceive, the pricing, we will look at the growth numbers. Clearly there is momentum and you can see that in the sequential growth during the quarter. If you look at business banking, SME, retail, a lot of initiatives that we have taken also on the digital side, on easing the customer onboarding process, the underwriting process, all of that is helping. On the corporate side again, we get to look at all the deals which are there in the market but the market is pricing loans in a certain way given the surplus liquidity. So our focus there, for example, is a lot more on the entire corporate ecosystem and looking at the core operating profit that we can generate and not just the loan growth. So, we would not want to comment on any specific sequential growth numbers. Based on the opportunities which are there for us to increase our operating profit, we will grow.

Mahrukh Adajania:

Any comment on corporate capex visibility?

Vishakha Mulye:

I will look at the capex from the private corporates, the PSUs and the government. On the private corporate side, a certain segment yes, but not really in a big way. People are spending money on the capital expenditure more to balance the capacities and so on and so forth. But we see a good traction on the PSU and the government side.

Moderator:

The next question is from the line of Prakash Kapadia from Anived Portfolio Managers.

Prakash Kapadia:

Over the last few years we've been focusing on cross-selling to our existing customers, taking feedback on every transaction on the internet. Could you give us some sense on where are we in the journey and something on assets and liabilities? where is more headroom for growth? And secondly on mortgages, it's been doing pretty well so what trends we are seeing in the top 10 cities across India and do we expect the momentum to continue?

Anup Bagchi:

It's a very interesting question Prakash. The way we look at it and way we do things is that if you look at the sheer number of customers on the assets side, it will always be lower than the deposits side because in mortgages the ticket size is very large. However, there is another set of customers who are coming on to us who are neither deposit customers nor asset customers. They are essentially payment and service customers like FASTag and iMobile Pay. Our credit card play is another big source. Now, what is happening is that there is a steady inflow of customers we are getting, even non-asset and non-liability customers. They are essentially coming for services which becomes a big source of liabilities for us. You can cross-sell liability accounts to them and then of course customers who are not our customers and have taken assets, we then cross-sell liability products to them.

But I must say that the reverse is a lesser number, that is assets to liabilities. Services to liabilities is a very large number, services to assets is a smaller number. Liabilities to asset is a very large number, assets to liabilities is a relatively smaller number because of the ticket sizes. But all of them, as you would appreciate, are interlinked because if one is not there and then if you don't do 360-degree coverage of each of those customers who come in through the door, then it is an opportunity that we would not have captured. So, that's how we think about process.

Prakash Kapadia:

You mentioned about being more service oriented or transaction oriented, so what's the cross-sell journey for them?

Anup Bagchi:

So, let me take an example of FASTag, as we have a dominant market share there. All customers of FASTag are not ICICI Bank deposit customers. Many of them are but many of them are also not ICICI Bank deposit customers. It is easier to sell the deposit accounts to them and once they become deposit account holders and we have more digital footprint, then we give them pre-approved offers and then we sell asset products. So, I'm just giving you another dimension. Traditionally banks think of only asset to liabilities and liabilities to asset, I am just adding a dimension of services also because that is a much larger flow than just liabilities or just assets.

Prakash Kapadia:

On mortgage if you could give us some color?

Anup Bagchi:

I think there is the enough demand in mortgages and I think it is coming back quite strongly. The other thing that has happened the corporate real estate developer side is that after RERA and various reforms, and the volatility in the last few years, I think it is strengthening and it is consolidating quite well. If you look at market shares of large developers, they have been increasing. That has been our view now since last one year or so and it is consolidating well and we are also consolidating our position there. I think it's the right time to really focus on bank ecosystem and the real estate ecosystem as it's a very large asset class. It's an asset which will perhaps be larger than the full financial asset class. So, there is a lot of opportunity and lot of scope there as well. On mortgages, we have our 360-degree customer coverage strategy firmly in place and there is demand. Of course there is competitive pricing, as you know, because it's a low loss given default product. Our decongested processes and our ability to cross sell to our customers and our ability to do 360-degree coverage gives us an advantage over many other HFCs.

Moderator:

Thank you. The next question is from the line of Abhishek Murarka from HSBC. Please go ahead.

Abhishek Murarka:

So, couple of questions. Just going back to slippages in retail, it is still about 4-4.5% on an annualized basis. So, just wanted to know particularly where is it coming from, of course all sectors are not recovering at the same pace. So is the contribution from commercial vehicles higher or where is it coming from?

Rakesh Jha:

Abhishek, like we have said earlier also, on the retail business one has to look at the net additions also because a lot of the gross additions that you see get recovered or upgraded in the same quarter also. So, of course this quarter the recoveries and upgrades are much higher than usual, partly reflecting the fact that in Q1-2022 we had higher additions to gross NPAs. On an overall basis, the numbers that we have seen in the current quarter on retail, rural, business banking, SME and across portfolios, have pretty much been in line with our expectation. We have pointed out in the past that commercial vehicle is one segment where the stress has been there even prior to the Covid-19 period and over the last 18 months that has kind of continued. Otherwise, across portfolios if you look at the additions and deletions, it has been a reasonably stable trend and the good thing is that the overdues on the portfolio also, which I mentioned earlier, have now come back to the March 2021 level. In June 2021 they had again gotten elevated because of the second wave. So, the overdues have also come down across retail and the business banking portfolio.

Abhishek Murarka:

Sure. Just continuing that, you said on restructuring, that it's again sort of proportionate to the loan book. But last quarter for instance you had highlighted that housing, LAP, gold, those segments had seen relatively higher restructuring. Would it be fair to say that it's the same kind of concentration this quarter in your restructured portfolio also?

Rakesh Jha:

No. Last quarter actually the gold loans or the loan against gold jewelry had seen higher amount of NPA additions because of the challenges on the collections side and this quarter actually we have seen a fair bit of recoveries coming in from that portfolio. So, again on the restructuring portfolio, if you look at where we have implemented the Covid-19 2.0 framework, the aggregate number itself is only about Rs .40 billion. That is spread across, there is some in home loans, within that yes LAP will be there, commercial vehicle, auto and then little bit in SME and business banking. So, nothing really concentrated there Abhishek to kind of point out.

Abhishek Murarka:

Okay. Just from a looking forward perspective, the overall slippage rate of 3-3.5%, how long before you would say it's a 2% kind of run rate? Are you seeing that kind of recovery in the economy where you can think that maybe two quarters down the line or three quarters down the line you would be trending towards a normalized slippage rate?

Rakesh Jha:

Again, if we, for a moment keep aside the pandemic and third wave and all of that, we are heading in a direction where it should get to a normalized level. The indicator for that is the overdue book. If it is higher than normal you would expect slippages to be also higher and the overdues have come down for us and down to March 2021 levels, which were pretty close to a normal level as well. Again on the retail side, I would request you to look at the net slippage number as there is a fair bit of addition, deletion and all that happens. So, from that perspective we should get to a normal level pretty soon.

Abhishek Murarka:

Sure. The second question is on NIM, just anything in terms of what should be the trend going forward, because your composition of relatively higher yielding products would continue to increase looking at the growth rates. So, do you see further uptick from 4-4.1% levels?

Rakesh Jha:

So, last quarter also we had said that we would try and protect our NIM at the level at which it was in Q1-2022 which had seen a sequential increase. This quarter definitely the fact that the net NPL additions are pretty much negligible has helped because interest reversal and all of that is not there. In addition, because of the NPA deletions, you kind of collect interest which was not booked earlier. So, that has helped in the current quarter. If you look at the NIM in H1-2022 which was at about 3.94%, our endeavour will be to protect the margin at those levels. The moving parts are definitely the competitive intensity which is there across all the segments of lending. As you would have seen we have really not been price leaders across any of the products or segments. We would kind of bring down our prices, if required, based on what we are seeing in the market. The cost of deposits has really been something which has helped us in improving our margins even in this quarter. We saw 12 basis point decline in the cost of deposit driven by the 36% year-on-year growth in daily average current account deposits and 25% year-on-year growth in average savings accounts balances. So, these are the variables. Overall of course the interest rates will inch up as RBI kind of normalizes the liquidity in the system. So how the repo rate moves and how the funding cost moves, all of those will be variables which will come into play maybe towards the end of the year or in the first half of next year. We will be focused on pricing our loans appropriately to get the required return.

Moderator:

Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal Securities. Please go ahead.

Nitin Aggarwal:

So, firstly, while our mortgage processing is quite strong, but just to understand if you are seeing any impact on growth in the metro and the Tier I cities as other banks are now competing aggressively on rates?

Rakesh Jha:

We have talked about the fact that we look at customer 360 and so we don't look at just a single product in most of the instances now. When we give out a home loan, we also have the customer opening their savings deposit with us and this is true across all the products. The customer 360 is a very key thing for us and similarly looking at the entire ecosystem, be it a corporate ecosystem or any other ecosystem that we focus on. We look at it on an aggregate basis and the contribution to operating profit again on an aggregate basis. So, you have seen the volumes that we have been able to do on the mortgages in this quarter, both the year-on-year growth and the sequential growth reflect that. So, there are opportunities for growth. We will of course not go completely bottom fishing in terms of the rates which are there. But we have also brought down the headline rates with some of the competition bringing it down. Overall with the cost of funding being where it is, and the fact that the mortgage customers are sticky customers, give us the opportunity to service them across wide range of product and services over a long period of time. We are comfortable with the profitability levels and would continue to look at growing this segment.

Nitin Aggarwal:

Rakesh on the card side, we have been reporting very strong market share gains and credit card spending has come back. But, in general, how has the asset quality been trending? How is the customer behavior in that space? If you had to benchmark profitability in this segment, because this is like another high yielding segment and we are doing very well here. So, to benchmark ICICI Bank say in the industry, where will we be in this space on a scale of 7 to 10? Anything that you can indicate, any qualitative flavor?

Rakesh Jha:

So, credit card is again an important product like mortgage. Credit card is a product which is used frequently by the customer, so you kind of end up getting an opportunity to service the customer on an ongoing basis. So it's a clear focus area for us and Anup has talked about it in the past as well. The tie up that we have with Amazon has really worked well for us. In terms of growth again, you have seen the growth that we have seen in the cards in force or the credit cards spends and the market shares have also improved for us. In terms of profitability, it's not that we have the numbers of all the players in the market so it is difficult to comment in terms of on a comparative basis. But credit card is always a portfolio where the returns have been pretty good. If we look at the experience of the last 18 months through the Covid-19 period, the numbers in terms of NPA additions or credit losses, given the pandemic, have actually clearly been better than what we would have expected. So, those are the trend which are there. Anup, you want to add something?

Anup Bagchi:

No.

Nitin Aggarwal:

Sure. And lastly on the performance of the ECLGS portfolio, how has been the collection efficiency trends in this portfolio and for loans which are out of moratorium?

Rakesh Jha:

So, I would say something similar to what we said in the last quarter's call. Overall, our focus while implementing the scheme was to restrict ourselves to customers where the business models are not broken and we would have the ability to recover these loans. So, overall, that means that it's not a portfolio where we are overly worried but indeed some of the ECLGS customers would have had relatively higher stress than the rest of the portfolio. So, there could be NPL additions which could be somewhat higher than the rest of the portfolio, but we don't think that it is going to be anything which is material. We have disbursed about close to Rs.140 billion under the ECLGS 1.0, about Rs. 20 billion under the ECLGS 2.0 and we are quite comfortable with what we are seeing in terms of the trend there.

Moderator:

Thank you. The next question is from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama:

Sir, my question is on the restructured portfolio. One, is there any residual pipeline in terms of restructuring that we will have and secondly you have made about 20% odd provision on restructured portfolio, any guidance that you can give on the additional provision which would be required on the restructuring portfolio beyond the 20% that we have already made?

Rakesh Jha:

Anand, I didn't get your second part of the question well, but I'll answer. If I miss something then just let me know. On the pipeline as per the RBI guidelines, the requests had to be received by 30th of September. There would be some cases which would still be under implementation at 30th of September as you know these are retail loans and it does take some time for all of that to get implemented. So, there would be some amount of restructuring increase that one will see in Q3. But in the overall context it is not going to be any material number I would say. It will be definitely be less than Rs. 10 billion. That is what is there in terms of the pipeline.

On provisions, the RBI requirement was to take about 10% provision on the Covid-19 restructured loans, against that we have taken 15% provision. Some of the loans which have got restructured were NPA and have got upgraded due to restructuring. In those loans we have carried forward the provision which was made when they became NPA, so that's the reason why we have an overall provision of about 20% on the restructured portfolio. As I mentioned earlier, predominantly the secured portfolio has got restructured so we would expect to recover and collect on these, but it's something that we will assess on a quarter-on-quarter basis. At any point of time, if we believe there is higher provision requirement we would be happy to make that. One should also consider that we in any case have Rs. 64.25 billion of Covid-19 related provisions as well. If you look at the numbers that we have put out as per the RBI requirement for disclosure, the slippages from the restructuring done last year have not been material in the first half of the year. Of course some of those loans or actually many of those loans would still be under moratorium, like I said earlier, moratorium is anywhere between 6-12 months. So, we will continue to assess this portfolio and if required we will make some more provision. On an overall basis, we are quite comfortable with the provisions at the Bank level and this quarter in any case we have not even utilized or written back any of the Covid-19 provision.

Anand Dama:

Sir, that's very comforting. Second question is about the ICICI PayLater book. There is lot of buzz about BNPL and we are also dominant player in that. Is it possible for you to give some trends in terms of how that book is playing up. ICICI Bank's Amazon Pay card has done very well, so if you can provide some numbers in terms of your PayLater book?

Anup Bagchi:

So, I don't think we have provided the numbers. The whole spectrum of credit in this space is becoming very interesting. You normally have credit card which is a fantastic and a very flexible instrument. Then of course you have the EMI on credit and debit cards and now BNPL. All of these are also installment products. But the difference between BNPL and other products is that BNPL is essentially driven by merchants and so there is an implicit promise to the merchants that if you give BNPL, their average order value will increase. So the cost to the merchant is higher than sometimes the credit card MDR that we give out and then there is the economics in between. So we have a full spectrum of affordability products of which PayLater also is one of the products and we have credit cards and EMI on debit and credit cards. So, from our perspective, as a bank because we have got the flexibility of instruments and a full spectrum. We would want to certainly be there in all spectrum depending on what customers and merchants want. We should be able to provide them with all the options that they have.

The good thing that has happened in the last three years is that the whole merchant ecosystem has become very digital, right from onboarding. UPI is virtually zero MDR. So, you can have EMI based credit product based on that as well. What has happened is that it has become very digital and so the cost of onboarding has come down. The cost of reconciliation and credit delivery has come down, which is why you will see that this area of merchant ecosystem is exploding in a very big way. Large brands like us have a natural advantage to play that game because we already have a large sort of footprint. We have a large merchant footprint from a current account perspective. We see a lot of flow happening through us and so we can do underwriting and onboarding digitally quite easily.

So, actually it's an interesting space which is unfolding. But BNPL is a form factor of credit delivery and we look at it that way. It's not a completely new product in the market. It has been there in various shapes and forms. BNPL of course has its own advantages in the sense that it caters to the need of a customer. Customers may not be having credit cards, or they may not be having bureau scores and these underwritings are on the fly, so it's a good form factor and it's a good product for many customers. Our PayLater product also is positioned well and the other thing about many of these affordability products is that it is at the place of purchase and you don't have to go outside to take the loan unlike personal loans, etc. It's not a new thing exactly, credit card was always there, but in a new way it is coming so the space is interesting.

Anand Dama:

So, basically the acceptability among the customers certainly has gone up. So is it to some extent cannibalizing on our low value credit card spends?

Anup Bagchi:

No, we haven't seen that as yet. So, from an affordability perspective there are two things, one is that first you have to ascertain the underwriting of the customers. Once the threshold is reached, where there is return of capital is, I will not say assured, but you have a high confidence on return of capital, then the next immediate thing is creating a very decongested and easy process. Because if you have a very difficult process, customers will not take credit, they will take some other route to take credit. So, if one can have a very good onboarding process, a credit delivery, particularly an on the fly credit delivery process and you can take care of the issues of the merchant, that is they get their money and settlement and then you take over the settlement detail by way of postponing cash flows from the consumer and you make that process completely seamless, you can give it any name, you can give it revolver, you can call it BNPL. Everything is BNPL, actually credit card is also BNPL. One has to make sure that it a very good customer experience. Also, from a bureau score perspective, banks have new to credit customers because they have salary accounts. So, the banks can underwrite new to credit customers well and then there is an added advantage that banks have of providing a very decongested on the fly underwriting process and an ability to integrate with the merchant in a very seamless way. So, that's really the value to the ecosystem that the product and service should offer, given that the demand for credit we have seen. So it gets picked up then.

Moderator:

Thank you. The next question is from the line of Shagun Verma from Goldman Sachs. Please go ahead.

Rahul Jain:

This is Rahul here. Just two, three questions. One is on the non-employee cost, it has seen a pretty sharp spike this quarter. So, just wanted to understand how do you see that? What's kind of driving this? I understand business momentum has picked up so that cost may have started coming through, but apart from that is there anything else that we should know? On the digital, technology side how is the spending trending and also these partnerships based spends, for example, The Big Billion Day, etc. So, can you just throw some color on that?

Rakesh Jha:

Yes, so the employee expenses were up by about 21% on a year-on-year basis. We have seen about 7-8% increase in the number of employees on an average from last Q2 to this Q2 and some increase in the salaries. So all of that along with the ESOP cost that came in this quarter would account for that increase. On the non-employee expenses, there are clearly two sets of categories, the first category which is growing is virtually all linked to business. So that would be of course the technology related costs, the retail business sourcing related cost. We have been buying a fair bit of priority sector lending certificates as well, that cost has gone up. You mentioned sales and advertisement promotion, those costs have gone up. So, all of these are costs which we believe are productive good costs undertaken to improve and increase our core operating profit. The other costs, more of administrative and infra kind of costs, those have grown in single digits actually in this period. One thing to keep in mind is that if you look at last year Q2, we had about a 5% year-on-year decline in our operating expenses. So, the base for us was indeed much lower last Q2. So, some bit of that impact is there as well. Having said that, clearly in terms of the expenses that is there, we are running at a 20% or there about kind of run rate on expenses and that's the trend in the absolute near term which one is seeing.

Rahul Jain:

Okay, and then Rakesh just to put simply if you were to look at this cost from, let's say growth oriented cost or maintenance oriented cost. How do you view this, is this cost necessary from a go forward basis?

Rakesh Jha:

So, the way we work in the Bank is that each of the businesses have risk calibrated core operating profit as the key metric. As a part of that, expense is one of the variables and each of the business teams then looks at it and there is always a trade-off, one can always end up with a lower cost in the near term, if you kind of sacrifice a bit on the long term growth opportunity. That is something that we don't do. Some of these expenses are needed for building franchise, maybe they will show results in the next 12-18 months kind of timeframe. But overall we are committed to growing the risk calibrated core operating profit. For the increase in expenses that we have, we will continue to work on improving our revenues in line with that. Given the pandemic, actually some of the numbers have been a bit up and down as I said, last year some of the expenses were lower and this year you will see the growth in expenses to be higher. From next year one will see a slightly more normalized number, but it would still be a growth which is high on the expenses side.

Rahul Jain:

So the cost to income ratio should then be in a narrow corridor, is what I'm taking away, is that a fair understanding?

Rakesh Jha:

We don't focus on that ratio per se. For us, the entire focus is on the core operating profit, if we are growing that well, that means our cost income ratio goes down 2% or goes up 2%, it's actually fine. In the longer term, definitely we believe that we should be able to grow our revenues at a faster pace than expenses. But in the near term, there are some of these spends which we will be incurring.

Moderator:

Thank you. The next question is from the line of Prakhar Agrawal from Edelweiss. Please go ahead. As, there is no response from the current participant. We move on to the next question from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

Adarsh Parasrampuria:

Just one question on the ROE expectation. In the last 12-18 months it was quite volatile. We are getting comfortable with credit cost and the operating profit trajectories been quite strong. Any, targets in ROE for the Bank over the next two to three years?

Rakesh Jha:

Adarsh as you know we don't have any specific target communicated on ROE. We'll repeat that our focus is to grow our risk calibrated core operating profit, and if that happens the ROE should improve. We have seen some improvement over the last 12-24 months and that would be the objective going forward as well. There is no specific target that we have for ROE in our mind.

Adarsh Parasrampuria:

Rakesh, one question on the leveraging up of the balance sheet. On our growth being strong our ROEs will get there and we did raise capital in the pandemic anticipating some issues, but the outcomes have been a lot better. So, where does leverage go in the balance sheet in the next two to three years, because given that the ROEs will go up, it doesn't look like we'll have a lot of leveraging up of the balance sheet?

Rakesh Jha:

We will see that in terms of opportunities. It's going to be a function of what is the market opportunity and within that what fits into our risk and return criteria. We are at a very healthy level of capital, so that gives us confidence that we can capitalize on all the opportunities which would come up and we are pretty optimistic about the economy, about the opportunity for the banking system in the two to three year timeframe that you're referring to. Based on the opportunities we will see how the leverage goes up from the current levels.

Moderator:

Thank you. The next question is from the line of Gaurav Kochar from Mirae Asset Management. Please go ahead.

Gaurav Kochar:

I have a few questions. Firstly, on margins, quarter-on-quarter there was a 11 bps improvement in margins. If I look at the CD ratio, it has moderated further to 78%. So, taking maybe a four to six quarter view or a medium term view, assuming your loan growth picks up and the CD ratio moves towards 85% sort of a mark, what is the outlook on margins? Also in that context, the share of unsecured credit right now is 10%, if I add up the personal loans and credit cards. Any sort of target internally that you would have built there? And say in the next two years, what would this be as a percentage of the overall loan portfolio? And as a result, what kind of margins can we look at from a 12-18 month or two-year perspective? That's my first question.

Rakesh Jha:

So, it's a very dynamic market and it's very difficult to have a target on margins. At any point of time, we are always looking at protecting the margins first, and then seeing the opportunities to improve it. In the next year, something which all banks, including us, will face is that a lot of our loans will be linked to external benchmarks. So, we'll have to see how the repo rate moves, how the T-bills move, and with respect to that, how the cost of deposits moves for the Bank. That's an additional factor which has come in with loans being linked to external benchmark. Otherwise, definitely we are still sitting on surplus liquidity on the balance sheet. As that gets deployed, over time we would see some benefit on the margins from that side. On business mix, our unsecured portfolio had been growing at a faster pace than the overall portfolio prior to Covid-19, some bit of a slowdown happened during the pandemic period. We believe we should get back to more normal levels of growth on that side, but we don't have any specific target on NIM in a two-year period.

Gaurav Kochar:

Sure, but directionally you believe the margins can go up further from here, given the levers?

Rakesh Jha:

In the medium term, we would always work towards that, it's going to be a function of a lot of things and some of those are not under our control as well.

Gaurav Kochar:

Sure, understood. And the next question is on provisions. Looking at the loan book, provisions are 80% of net NPA. Net NPA in corporate book are almost Rs. 20 billion. PCR on the retail book is 65% and apart from that, we are also carrying provisioning buffers. In FY2023, it's very hard to estimate a credit cost of more than 100 bps, unless of course we see a third wave. What are your thoughts around this and in this year or maybe next year, do we see some writebacks from this Covid-19 buffer that you have made in the last 18 months or so?

Rakesh Jha:

So, in two parts if I can take it. On the first one, we have said that through the cycle number that we look at on credit cost, is for it to be 25% of our core operating profit, which would be like 120-125 basis points of our loans. So, we should get back to that level once the pandemic is behind us for sure, because that is what we aim for while we build our portfolio. Regarding the Covid-19 provisions, it's an assessment that we will keep on doing on a quarter-on-quarter basis. The portfolio of course has performed better than what we anticipated and it's been better than what we would have taken into consideration while creating the Covid-19 related provisions. But we are not going to be in a hurry to unwind all of those provisions. We will assess it quarter by quarter, maybe at the year-end and we'll take a call as to how we should do that. It's something which gives strengths to the balance sheet so we don't overthink around that.

Gaurav Kochar:

Sure, but the intent is to unwind it, maybe at a later date, if not today, but the intent is not to keep that buffer forever, is this my understanding is right?

Rakesh Jha:

Yes, once the pandemic is over then Covid-19 related provisions will not be there, whether we maintain some other contingency provision, we will assess all of that and see.

Gaurav Kochar:

Sure, got it and just on ICICI Bank UK, I didn't hear it properly, is the dividend payout of USD 20 million or USD 2,200 million?

Rakesh Jha:

No, that was a capital repatriation of USD 200 million. So it was surplus capital in the ICICI Bank UK subsidiary. As I said, the loan book there has declined and the capital ratio was like 25%. So, USD 200 million of capital was repatriated back to the parent Bank during the quarter.

Gaurav Kochar:

Okay. So, this will not be part of the P&L, it will only be added back to the reserves, is it?

Rakesh Jha:

It will not be added back to the reserves, it will come in the capital adequacy. Investment in subsidiaries is reduced from the capital while computing capital adequacy. So that number of deduction has come down. And in the balance sheet, it would have resulted in a reduction in the investment.

Gaurav Kochar:

Alright understood. And just last question, if I can squeeze in, the closing liquidity on the balance sheet was around Rs. 1.5 trillion. Is the average also around the same number, or it's a quarter-end phenomena when the liquidity is high typically?

Rakesh Jha:

For the average number you should look at the LCR number that we also disclose. That's the daily average number which is 130% or so. It's clearly higher than where we would ideally want to be.

Moderator:

Thank you. Ladies and gentlemen due to time constraints, that was the last question. I now hand the conference over to the management for their closing comments, over to you.

Rakesh Jha:

Thank you everyone, for spending the Saturday evening with us. We can take remaining questions separately. Thank you.

Moderator:

Thank you. Ladies and gentlemen, on behalf of ICICI Bank that concludes this conference. Thank you all for joining us and you may now disconnect your lines.