ICICI Bank Limited

Media conference call - Quarter ended June 30, 2020 (Q1-2021)

July 25, 2020

Sandeep Batra: Good evening everyone. Joining me today for this call is our Group Chief Financial Officer - Rakesh Jha.

Thank you everyone for joining us today. We hope that all of you are safe, healthy and doing well. During this period of the Covid-19 pandemic, the health care workers, sanitation workers, police and all essential service providers have shown utmost resilience in keeping us safe and their dedication motivates us. As the country has gradually reopened, many Indians have gone back to work, supporting the path of normalization. Team ICICI is thankful to all of them. We also appreciate the efforts of our employees who continue to serve our customers in these unprecedented times. Nearly all of our 5,324 branches and 15,661 ATMs across the country are functional currently. We have seen a gradual rise in the customer footfalls in our branches in June and the first fortnight of July compared to April and May. Excluding the employees working at the branches and some of the team members from Operations and IT, majority of the employees continue to work from home.

Coming to our financial performance, our Board has today approved the financial results of ICICI Bank for the quarter ended June 30, 2020.

I would like to highlight a few key numbers:

A. **Core operating profit growth**

1. The core operating profit increased by 15% year-on-year to ₹7,014 crore in Q1-2021 from ₹6,110 crore in Q1-2020. The interest on income tax refund was ₹24 crore in Q1-2021 compared to ₹184 crore in Q1-2020. Excluding the

impact of higher interest income on income tax refund in the first quarter last year, the year-on-year core operating profit growth was 18.0%.

2. Net interest income increased by 20% year-on-year to ₹9,280 crore in Q1-2021 from ₹7,737 crore in Q1-2020. The net interest margin was 3.69% in Q1-2021 compared to 3.61% in Q1-2020 and 3.87% in Q4-2020. The margins were lower in Q1 of 2021 compared to the previous quarter primarily due to higher liquidity as deposit flows continued to be robust with fewer lending opportunities.

3. Fee income was ₹2,104 crore in Q1-2021 compared to ₹3,039 crore in Q1-2020 reflecting lower business volumes and customer activity in view of the lockdown. Retail fees constituted 70% of total fees in Q1-2021

B. **Deposit growth**

1. During the quarter, we continued to see robust deposit flows, resulting in high liquidity and a Liquidity Coverage Ratio of 146% for the quarter. Our cost of deposits is the among the lowest in the system. Total deposits grew by 21% year-on-year to about ₹8.0 trillion at June 30, 2020.

2. Average savings account deposits increased by 14% year-on-year in Q1-2021.

3. Average current account deposits increased by 20% year-on-year in Q1-2021, reflecting healthy inflows into current accounts which we see as a positive indicator of the business health of our customers as well as a result of the strength of our franchise.

4. Term deposits grew by 27% year-on-year.

5. Our digital platforms and efforts towards process decongestion have played an important role in the growth of our deposit franchise.

C. **Loan growth**

Loan origination was impacted due to the nation-wide lockdown in April and May. The year-on-year loan growth declined and the loan book decreased sequentially, though month-wise trends indicate an improvement as the lockdown has been relaxed. The domestic loan growth was 10% year-on-year as of June 30, 2020 compared to 13% year-on-year as of March 31, 2020. The domestic loan book declined by 1% sequentially. The retail portfolio grew by 11% year-on-year and declined by 0.8% sequentially.

D. **Digital initiatives**

The growth of our franchise is driven to a significant extent by the digital platforms and technology-led solutions that we offer our customers. We have made significant investments in our data and analytics infrastructure over time. We are leveraging these capabilities to create best-in-class cross-sell, customer service and risk management capabilities. We constantly recalibrate and redefine our machine learning based risk and marketing models on the basis of new data points. Wherever the physical channels were not effective due to lockdown or social distancing measures, our customers could enjoy the Bank's services and offers seamlessly through our digital channels. The ICICI STACK, our API banking portal and our iMobile, InstaBizz and internet banking platforms as well as bespoke solutions in place for corporate and institutional customers provide seamless banking services digitally to our customers. During Q1-2021, an online food delivery platform used our "insta wallet" offering to launch its digital wallet; we introduced the Video KYC facility to on board new savings account and personal loan customers and customers availing the Amazon Pay Credit Card; and we crossed one million users on our WhatsApp banking platform. We have seen significant growth and improvement in market share in UPI transactions in the person-to-merchant or acquiring segment. Our digital trade solutions for corporates and SMEs have proved particularly relevant in the current environment.

E. **Asset Quality**

1. Gross NPA additions were ₹1,160 crore in Q1-2021. The lower gross NPA additions reflect the asset classification standstill benefit on loans under moratorium

2. Recoveries, upgrades, excluding write-offs, were ₹757 crore in Q1-2021. The gross NPAs written-off during Q1-2021 aggregated to ₹1,426 crore. The total net non-performing assets declined by 27% year-on-year to ₹8,675 crore at June 30, 2020.

3. The gross NPA ratio was 5.46% and the net NPA ratio was 1.23% at June 30, 2020. The net NPA ratio at June 30, 2020 was the lowest in the last 20 quarters

4. Provisions other than Covid-19 related declined by 41.5% year-on-year declined to ₹2,044 crore in Q1-2021

5. We continue to have a high provisioning coverage ratio on NPAs, with the PCR increasing further to 78.6% at June 30, 2020 from 75.7% at March 31, 2020

6. As part of the regulatory measures following the outbreak of the pandemic, banks have been permitted to grant moratorium on loan repayments to borrowers. This is a policy and regulatory support to customers facing sudden cashflow depletion or potential future uncertainty. Our approach to the moratorium has been to permit the same for customers seeking it,

after due engagement. As per the latest Financial Stability Report release by RBI, about 31% of loans of private sector banks were under moratorium at April 30, 2020. From about 30.0% of total loans being under moratorium at end-April for us, the loans to customers where moratorium was effected for June repayments was about 17.5% of total loans at June 30, 2020. This trend is in line with our expectations and the gradual resumption of economic activities in June

7. Our intention has been to cushion the balance sheet from the potential risks arising out of uncertainties around the trajectory of the pandemic and the pace and level of economic activity. We had made Covid-19 related provisions of ₹2,725 crore in Q4-2020 against standard assets to further strengthen the balance sheet. As a prudent measure, the Bank has made further Covid-19 related provisions of ₹5,550 crore during Q1-2021 with the objective of completely cushioning the balance sheet from the impact of Covid-19

F. **Capital and profit after tax**

1. During the quarter, the Bank monetized 1.5% and 4.0% stake respectively in its life and general insurance subsidiaries, further strengthening the balance sheet by ₹3,036 crore, which is reflected in the treasury income of ₹3,763 crore for the quarter. The capital position of the Bank after making the further Covid-19 related provisions with the objective of completely cushioning the balance sheet from the impact of Covid-19, continued to be healthy with a CET-1 ratio of 13.60%, including profits for Q1-2021 as of June 30, 2020. The total capital adequacy was 16.32% well above the minimum regulatory requirement of 11.08% and Tier-1 capital adequacy was 14.93% well above the minimum regulatory requirement of 9.08%

2. Profit before tax grew by 14.0% year-on-year to ₹3,183 crore in Q1-2021

3. The profit after tax grew by 36.2% year-on-year to ₹2,599 crore in Q1-2021 from ₹1,908 crore in Q1-2020

Over the medium term, we see favourable prospects for the Indian economy with the economy settling into a new normal. We expect India's strong domestic consumption and investment drivers to continue to support healthy rates of growth in a normal environment. Given our strong deposit franchise and robust technology platforms, we will seek to benefit from the growing formalisation of the economy and the rapid adoption of technology in banking.

We seek to achieve profitable growth through identification and focus on pre-selected customer segments and micro-segments, and geographical micro-markets that offer an opportunity for growth. The Indian consumer is becoming more and more digitally savvy and we will continue to invest in our technological infrastructure making it easier for them to do banking in as seamless manner as possible.

Our approach has resulted in healthy growth in core operating profit, even as NPL additions and related provisions have declined. We will continue to build our business on this basis. We have also created a significant provisioning buffer with the objective of protecting the balance sheet from potential risks.

The Board of Directors of the Bank has approved raising of equity capital of an amount up to ₹15,000 crore, subject to regulatory, shareholders' and other approvals as may be required. The proposed capital raising, subject to necessary approvals and market conditions, is aimed at further strengthening our capital adequacy and improving our competitive positioning.

With this, I conclude my opening remarks. I will be happy to take your questions.