Media call on October 31, 2020: opening remarks

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 forwardlooking 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.

Good afternoon everyone. Joining me today for this call is our Group Chief Financial Officer- Rakesh Jha.

We thank you for joining us and hope that you are safe and in good health. We thank the medical and healthcare fraternity, sanitation workers, providers of all essential services and police, who are enabling us to navigate these unprecedented times. We express our gratitude to our colleagues for their dedication in serving customers despite the current challenges. Most of our branches and ATMs across the country are operational, along with our digital channels. Most of our employees except for those working at the branches and in functions such as operations and technology, 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 September 30, 2020.

I would like to highlight a few key numbers:

A. Core operating profit growth

1. The core operating profit i.e. the profit before provisions and tax excluding treasury income, increased by 18% year-on-year to ₹ 7,719 crore in Q2-2021
2. Net interest income increased by 16% year-on-year to ₹ 9,366 crore in Q2-2021. The net interest margin was 3.57% in Q2-2021 compared to 3.69% in Q1-2021 and

3.64% in Q2-2020. The margins were lower in Q2 of 2021 compared to the previous quarter primarily due to higher liquidity

3. Fee income was ₹ 3,139 crore in Q2-2021. Though the fee income declined by 10% year-on-year, it grew by about 49% sequentially reflecting the increase in customer spending and borrowing and investment activity in Q2-2021 compared to the previous quarter. Retail fees constituted 76% of total fees in Q2-2021
4. Operating expenses decreased by 5% year-on-year in Q2-2021. Non-employee expenses decreased by 2% year-on-year in Q2-2021 due to lower business volumes and administrative and infrastructure related expenses, partly offset by increase in technology related expenses.

B. Deposit growth

1. During the quarter, we continued to see robust deposit flows. The liquidity coverage ratio for the quarter was 150%, higher than the previous quarter, reflecting significant surplus liquidity. Our cost of deposits is the among the lowest in the system. Total deposits grew by 20% year-on-year to about ₹ 8.3 trillion at September 30, 2020.
2. Average savings account deposits increased by 15% year-on-year in Q2-2021.
3. Average current account deposits increased by 21% year-on-year in Q2-2021

4. Term deposits grew by 26% year-on-year.

C. Loan growth

1. Post the easing of restrictions, there has been a substantial month-on-month increase in disbursements across retail products. A combination of low interest rates, seamless onboarding experience through process decongestion and digital sanctions led to the substantial rise in disbursements. Mortgage disbursements during the quarter crossed pre-Covid levels and reached an all-time monthly high in September. Auto loan disbursements have continued to increase from June and have reached pre-Covid levels in September reflecting the rise in passenger car sales. Disbursements across the rural portfolio have crossed pre-Covid levels in August and September. The Bank has extended the Emergency Credit Line Guarantee Scheme to eligible MSME borrowers based on its credit assessment. Till October 28, we have sanctioned about ₹ 16,000 crore to about 187,000 borrowers under this scheme, of which about ₹ 10,600 crore has been disbursed.
2. The overall retail loan portfolio grew by 13% year-on-year and 6% sequentially. The domestic loan portfolio grew by 10% year-on-year and 4% sequentially.
3. The international loan portfolio declined by 32% year-on-year in US dollar terms at September 30, 2020. The non-

India linked corporate portfolio reduced by 48% year-on-year and 20% sequentially at September 30, 2020.

D. Digital initiatives

1. Digital is core to our strategy of integrating across ecosystems, smooth onboarding and transactions, growth in liabilities and analytics for risk selection. We have continued to enhance our digital delivery with a range of new offerings and solutions. During this quarter, we launched the iStartup 2.0 programme, which enables startups to open current accounts digitally and instantly at the time of incorporation. It also offers startups a range of banking and non-banking services needed to expand their business digitally. We have seen an increase in the adoption of our newly launched services and platforms such as video KYC and WhatsApp banking. In September 2020 about 35% of salary account customers and about 31% of credit card customers were on-boarded using Video KYC. At present we have over 2 million users on our WhatsApp banking platform. About 53% of our personal loans and about 74% of our credit card customers were sourced through digital channels inH1-2021. In September, we introduced new features on our WhatsApp banking platform which enable customers to create fixed deposits, pay their utility bills and access details of trade finance instantly. We have also introduced

forex on mobile through our InstaBIZ platform for our small business customers.

E. Asset Quality

1. Even as the robust growth in core operating profit demonstrates the strength of our franchise and our ability to capitalise on the ongoing recovery in economic activity, the portfolio trends have further enhanced our confidence in the robustness of our underwriting, and our confidence that the provisions made in the March and June quarters will completely cushion the balance sheet from potential credit losses due to Covid-19.
2. Gross NPA additions were ₹ 3,017 crore in Q2-2021.
3. Recoveries, upgrades, excluding write-offs, were ₹ 1,945 crore in Q2-2021.
4. Provisions, other than Covid-19 related, were ₹ 2,498 crore in Q2-2021 compared to ₹ 2,507 crore in Q2-2020
5. The provision coverage ratio increased further to 81.5% as of September 30, 2020 from 78.6% at June 30, 2020. We have not utilized any Covid-19 related provisions during the current quarter.
6. ₹ 1,410 crore of loans were not classified as non-performing pursuant to the Supreme Court's interim order directing that accounts which were not classified as non-performing till August 31, 2020, should not be

classified as such until further orders. However, on a prudent basis, the Bank has made provisions of ₹ 497 crore in respect of these accounts. These provisions are included in the Covid-19 related provisions of 8,772 crore as of September 30, 2020

7. The net NPA ratio was 1.00% at September 30, 2020. Including loans not classified as non-performing pursuant to the Supreme Court's interim order, the net NPA ratio would have been 1.12% at September 30, 2020 compared to 1.23% at June 30, 2020.
8. Collection and overdue trends are close to pre-Covid levels and are in line with or better than our expectations. We are confident that the Covid-19 provisions we have already made will completely cushion the balance sheet from potential credit losses which may arise due to the pandemic. We expect a normalisation of credit costs in fiscal 2022 based on our current expectations of economic activity and portfolio trends.

F. Capital and profit after tax

1. During the quarter, the Bank raised equity capital of ₹ 15,000 crore with the objective of further strengthening our capital adequacy and improving our competitive position. As of September 30, 2020, the Bank had a net worth of about ₹ 1.4 lakh crore and a CET-1 ratio of 16.54% including the profits for H1-2021.

2. Profit before tax grew by 21% year-on-year to ₹ 5,266 crore in Q2-2021

3. The profit after tax was ₹ 4,251 crore in Q2-2021 compared to ₹ 655 crore in Q2-2020. The tax expense in Q2-2020 included a one-time additional charge due to re-measurement of accumulated deferred tax assets at the revised marginal tax rate

4. The standalone RoE was 13.2% in Q2-2021

Our subsidiaries have performed well during the quarter. The consolidated RoE was 14.2% in Q2-2021.

Looking ahead, we see wide-ranging opportunities for risk calibrated growth in the core operating profit. We believe our high quality digital platforms and focus on micro-markets, backed by our robust deposit franchise, prudent risk management practices and strong capital ratios put us in a good position to grow sustainably. We will continue to focus on delivering consistent and predictable returns to our shareholders.

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