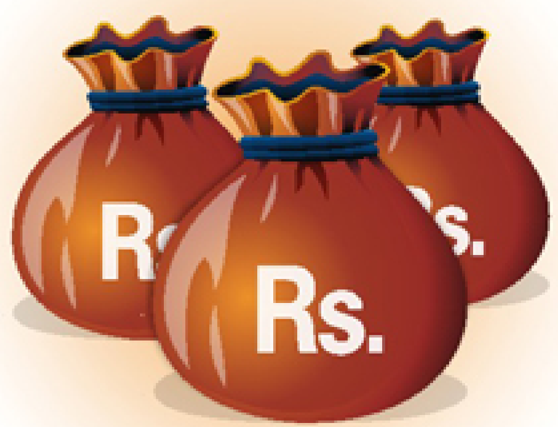
ICICI BANK CUSTOMER EDUCATION SERIES

TIMES BUSINESS ASSOCIATE COMMUNICATION

Did You Know?

Out of every Rs.100 you invest as a deposit with a bank, Rs. 31.50 is kept with Reserve Bank Of India (RBI) in form of government securities and cash.



How Safe Are Your Deposits?

Suresh was curious how his bank used his deposits. How does a bank make loans? What if the loans are not good? Is his bank at risk? If a borrower fails to repay a loan, will Suresh's deposits be at risk?

Banks mobilize public money. How they can use this money is regulated tightly. First, a portion is kept as cash reserves with the Reserve Bank of India. This portion is expressed as cash reserve ratio (CRR). Then another portion is kept in safe and liquid government securities. This portion is the statutory liquidity ratio (SLR).

The loans made by a bank are risk-weighted by the regulator. If 9% of a bank's risky assets are cushioned by the bank's own equity capital, this is its capital adequacy ratio. Capital adequacy is stipulated by regulation, and banks with adequate capital are not likely to default on their deposits since they have cushioned the risks with their own capital. Thus, depositors' funds are protected.

Centre for Investment Education and Learning

We welcome your questions, suggestions and feedback on this column. Please use the 'Email Us' link at www.icicibank.com or send us an SMS to 53030. Please include your full name, address and phone number. Your comments may be edited for clarity and space.

Look out for our 'Investment Series', starting November 12.

ICICI Bank
www.icicibank.com

SMS CONTEST

Question: Capital adequacy ratio is the ratio of ______.

Answer: A. deposits to loans
B. equity capital to loans
C. equity capital to deposits

To answer, SMS DISHA A, B or C to 53030 and win a 2N 3D holiday.* Contest open for the day of publication.

*Terms and conditions apply. Visit **www.dishaic.org** for details and winners.

SAFE BANKING

Always update your latest contact details to avoid missing out on important communications.

BE AN INFORMED CONSUMER. Watch this space every Wednesday.