

ICICI Bank

Operator: Good day and welcome to ICICI Bank Ltd.'s Q2 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero 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 Chief Executive Officer of ICICI Bank Ltd. Thank you, and over to you, sir. Sir, I think you are on mute.

Sandeep Bakhshi – Managing Director & CEO: Sorry. Thank you. Good evening to all of you, and welcome to the ICICI Bank Ltd. earnings call to discuss the results for Q2 FY27.

Joining us today on this call are Sandeep Batra, Rakesh, Ajay, Anindya and Abhay.

At ICICI Bank Ltd., our strategic focus continues to be on growing profit before tax excluding treasury through the 360-degree customer-centric approach and by serving opportunities across ecosystems and micro markets. The profit before tax excluding treasury grew by 23.4% year-on-year to 199.54 billion rupees in this quarter. The core operating profit increased by 21.8% year-on-year to 208.05 billion rupees in this quarter. The core operating profit excluding dividend from subsidiaries increased by 25% year-on-year to 203.42 billion rupees in this quarter. The profit after tax grew by 20.1% year-on-year to 148.43 billion rupees in this quarter.

Total deposits grew by 27.1% year-on-year and 11.8% sequentially as of September 30, 2026. Average deposits grew by 21.2% year-on-year and 8% sequentially, and average current and savings account deposits grew by 10.7% year-on-year and 1.4% sequentially during this quarter.

The bank has mobilized gross FCNRB deposits of about 18 billion US dollars pursuant to RBI's swap facility. Excluding FCNRB deposits, total period-end deposits grew by 17% year-on-year and 3.1% sequentially as of September 30, 2026. The bank's average liquidity coverage ratio for the quarter was about 126%.

The overall loan portfolio, including the international branches, grew by 30% year-on-year and 12% sequentially as of September 30, 2026. Excluding loans provided by the international branches of the bank against FCNRB deposits, total loans grew by 24.1% year-on-year and 7.3% sequentially.

The retail and rural portfolio grew by 14.8% year-on-year and 3.2% sequentially. Including non-fund-based outstanding, the retail and rural portfolio was 43% of the total portfolio. The business banking portfolio grew by 33.8% year-on-year and 11.1% sequentially. The domestic corporate portfolio grew by 30.6% year-on-year and 10.4% sequentially. The domestic loan portfolio grew by 22.8% year-on-year and 6.8% sequentially as of September 30, 2026. The overseas loan portfolio was 7.8% of the overall loan book as of September 30, 2026.

The net NPA ratio was 0.3% as of September 30, 2026, compared to 0.35% as of June 30, 2026, and 0.39% as of September 30, 2025. During the quarter, there were net additions of 12.13 billion rupees to gross NPAs, excluding write-offs and sales.

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The total provisions during the quarter were 8.51 billion rupees, or 4.1% of core operating profit and 0.2% of average advances. The provisioning coverage ratio on non-performing loans was 75% as of September 30, 2026. In addition, the bank continues to hold contingency provisions of 131 billion rupees, or about 0.7% of total advances, as of September 30, 2026.

The capital position of the bank continued to be strong, with a CET1 ratio of 16.01% and total capital adequacy of 16.68% as of September 30, 2026. The bank purchased an additional 2% shareholding in ICICI Life Insurance Limited for consideration of 14.7 billion rupees during the quarter.

Looking ahead, we see many opportunities to drive risk-calibrated profitable growth and grow market share across key segments. We remain focused on maintaining a strong balance sheet, prudent provisioning and healthy levels of capital while delivering sustainable and predictable returns to our shareholders. I now hand the call over to Anindya.

Anindya: Thank you, Sandeep. I will talk about loan growth, credit quality, P&L details and the performance of subsidiaries.

On loan growth, we have revised the presentation of loans to reflect a consolidated view of the retail and rural portfolio, with additional product-wise details. The comparable data for previous periods have also been provided on slides 64 and 65 of the investor presentation.

Coming to the growth across retail and rural products, the mortgage portfolio grew by 15.3% year-on-year and 3.5% sequentially. Vehicle loans grew by 7.8% year-on-year and 1.4% sequentially. Personal loans grew by 16.6% year-on-year and 4.7% sequentially. The credit card portfolio declined by 9.7% year-on-year and 0.2% sequentially. Jewel loans grew by 79.4% year-on-year and 4.5% sequentially.

Within the corporate portfolio, the total outstanding to NBFCs and HFCs was 1,033.78 billion rupees as of September 30, 2026, compared to 920.52 billion rupees as of June 30, 2026. The total outstanding loans to NBFCs and HFCs were about 4.3% of our advances as of September 30, 2026.

The builder portfolio, including construction finance, lease rental discounting, term loans and working capital, was 788.52 billion rupees as of September 30, 2026, compared to 747.21 billion rupees as of June 30, 2026. The builder loan portfolio was 4% of our total loan portfolio. Our portfolio largely comprises well-established builders, and this is also reflected in the sequential increase in the portfolio. About 0.5% of the builder portfolio as of September 30, 2026 was either internally rated double-B and below or was classified as non-performing.

Moving on to credit quality, gross NPA additions were 48.33 billion rupees in the current quarter, compared to 50.34 billion rupees in Q2 FY26. Recoveries and upgrades from gross NPAs, excluding write-offs and sales, were 36.20 billion rupees in the current quarter, compared to 36.48 billion rupees in Q2 FY26. Net additions to gross NPAs were 12.13 billion rupees in the current quarter, compared to 13.86 billion rupees in Q2 FY26.

Gross NPA additions from the retail and rural portfolio were 37.09 billion rupees in the current quarter, compared to 40.49 billion rupees in Q2 FY26. Recoveries and upgrades from the retail and rural portfolio were 26.04 billion rupees in the current quarter, compared to 26.10 billion rupees in

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Q2 FY26. Net additions to gross NPAs in the retail and rural portfolio were 11.05 billion rupees in the current quarter, compared to 14.39 billion rupees in Q2 FY26.

Gross NPA additions from the corporate and business banking portfolios were 11.24 billion rupees in the current quarter, compared to 9.85 billion rupees in Q2 FY26. Recoveries and upgrades from the corporate and business banking portfolios were 10.16 billion rupees in the current quarter, compared to 10.38 billion rupees in Q2 FY26. There were net additions to gross NPAs of 1.08 billion rupees in the current quarter in the corporate and business banking portfolios, compared to net deletions of 0.53 billion rupees in Q2 FY26.

Gross NPAs written off during the quarter were 15.92 billion rupees. Further, there was a sale of NPAs of 1.33 billion rupees for cash in the current quarter.

Non-fund-based outstanding to borrowers classified as non-performing was 22.51 billion rupees as of September 30, 2026, compared to 22.07 billion rupees as of June 30, 2026, and 23.22 billion rupees as of September 30, 2025. Loans and non-fund-based outstanding to performing corporate borrowers rated double-B and below were 35.47 billion rupees as of September 30, 2026, compared to 34.85 billion rupees as of June 30, 2026, and 36.61 billion rupees as of September 30, 2025. This portfolio was about 0.2% of our advances as of September 30, 2026.

Total fund-based outstanding to all standard borrowers under resolution as per various guidelines declined to 11.85 billion rupees as of September 30, 2026, from 13.63 billion rupees as of June 30, 2026, and 16.24 billion rupees as of September 30, 2025.

At the end of September, total provisions other than specific provisions on fund-based outstanding to borrowers classified as non-performing were 238.15 billion rupees, or 1.3% of loans. This includes the contingency provisions of 131 billion rupees, as well as general provisions on standard assets, provisions held for non-fund-based outstanding to borrowers classified as non-performing, provisions for fund-based and non-fund-based outstanding to standard borrowers under resolution, and provisions for the double-B and below portfolio.

The bank also continues to hold additional standard asset provisions of 12.83 billion rupees made in Q3 FY26, as directed by RBI in respect of the agricultural priority sector portfolio, until completion of the review process.

Moving on to the P&L details, net interest income increased by 17.7% year-on-year and 3.9% sequentially to 253.39 billion rupees in this quarter. The net interest margin was 4.18% in this quarter, compared to 4.36% in the previous quarter and 4.30% in Q2 FY26. Excluding the benefit of interest on the tax refund, the net interest margin would have been 4.28% in the previous quarter.

The domestic NIM, excluding the benefit of interest on the income tax refund, was 4.32% in the current quarter, compared to 4.36% in the previous quarter and 4.37% in Q2 FY26. The cost of deposits was 4.50% in this quarter, compared to 4.41% in the previous quarter and 4.64% in Q2 FY26.

The increase in the proportion of the assets of overseas branches in total assets and the large sequential increase in the retail term deposit base have led to a moderation in margins, and the full

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impact would reflect in the third quarter. After that, we expect margins to start moving back up, even based on the current level of policy rates.

Of the total domestic loans, interest rates on about 57% of the loans are linked to the repo rate and other external benchmarks, 14% are linked to MCLR and other older benchmarks, and the remaining 29% of loans have fixed interest rates.

Non-interest income excluding treasury grew by 12.5% year-on-year to 82.77 billion rupees in Q2 FY27. Fee income increased by 20.1% year-on-year to 77.95 billion rupees in this quarter. Fees from retail, rural and business banking customers constituted about 75% of the total fees in this quarter. Fee income for the quarter includes fees for providing lending facilities against FCNRB deposits.

Dividend income from subsidiaries was 4.63 billion rupees in this quarter, compared to 8.1 billion rupees in Q2 FY26, primarily reflecting the shift in the timing of dividend declaration from a quarterly to a half-yearly basis by ICICI Prudential AMC Limited.

On costs, the bank's operating expenses increased by 8.5% year-on-year and 1.9% sequentially in this quarter. Employee expenses increased by 13.5% year-on-year. Non-employee expenses increased by 5.6% year-on-year.

Our branch count increased by 145 in H1 FY27. We had 7,656 branches as of September 30, 2026. Technology expenses were about 11.2% of our operating expenses in H1 FY27. The total provisions during the quarter were 8.51 billion rupees, or 4.1% of core operating profit and 0.2% of average advances.

Management: ...of average advances, compared to provisions of 9.14 billion rupees in Q2 FY26. Adjusting for one-off corporate recoveries, standard asset provisions on loans provided against FCNRB deposits and the seasonality of KCC provisioning, normalized credit cost to advances would be about 50 basis points.

Profit before tax excluding treasury grew by 23.4% year-on-year to 199.54 billion rupees in Q2 FY27. There was a treasury loss of 2.3 billion rupees in this quarter, compared to a gain of 1.5 billion rupees in the previous quarter and 2.2 billion rupees in Q2 FY26, reflecting market movements.

Tax expense was 48.81 billion rupees in this quarter, compared to 43.21 billion rupees in the previous quarter and 40.25 billion rupees in Q2 FY26. In the previous quarter, the bank had written back a tax provision of 4.46 billion rupees pursuant to favorable tax orders. Profit after tax grew by 20.1% year-on-year to 148.43 billion rupees in this quarter.

Consolidated profit after tax grew by 22.3% year-on-year to 163.33 billion rupees in this quarter. The details of the financial performance of key subsidiaries are covered in slides 37 to 39 and 58 to 63 of the investor presentation.

The annualized premium equivalent of ICICI Life increased to 49.35 billion rupees in H1 FY27 from 42.86 billion rupees in H1 FY26. The value of new business increased to 12.83 billion rupees in H1 FY27 from 10.49 billion rupees in H1 FY26. The value of new business margin was 26% in H1 FY27, compared to 24.7% in FY26 and 24.5% in H1 FY26.

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Profit after tax of ICICI Life increased to 7.6 billion rupees in H1 FY27 from 6.01 billion rupees in H1 FY26, and to 3.74 billion rupees in this quarter from 2.99 billion rupees in Q2 FY26.

Gross direct premium income of ICICI General increased to 67.92 billion rupees in Q2 FY27 from 65.96 billion rupees in Q2 FY26. The combined ratio stood at 107% in Q2 FY27, compared to 105.1% in Q2 FY26. Excluding the impact of catastrophe losses of 1.18 billion rupees in Q2 FY27 and 0.73 billion rupees in Q2 FY26, the combined ratio was 105.3% and 103.8%, respectively. Profit after tax increased to 9.46 billion rupees in Q2 FY27 from 8.2 billion rupees in Q2 FY26.

Profit after tax of ICICI AMC as per Ind AS increased to 8.89 billion rupees in this quarter from 8.38 billion rupees in Q2 FY26. Profit after tax of ICICI Securities as per Ind AS on a consolidated basis increased to 4.39 billion rupees in this quarter from 4.25 billion rupees in Q2 FY26.

ICICI Bank Canada had profit after tax of 5 million Canadian dollars in this quarter, compared to 6.3 million Canadian dollars in Q2 FY26. ICICI Bank UK had profit after tax of 6.5 million US dollars in this quarter, compared to 6.4 million US dollars in Q2 FY26.

As per Ind AS, ICICI Home Finance profit after tax increased to 2.2 billion rupees in the current quarter from 2.03 billion rupees in Q2 FY26. With this, we conclude our opening remarks, and we will now be happy to take your questions.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We will take our first question from the line of Marukh Adajania from Tara Capital. Please go ahead.

Marukh Adajania – Tara Capital: Hi, good evening. Congratulations. I just had a couple of questions. Firstly, on corporate growth, is it just temporary parking of FCNR funds, or do we see corporate growth remaining high in future quarters? What is the kind of retail-corporate mix? Retail growth looks a bit softer than usual, while corporate growth is very strong. How do you see it in future quarters? That is my first question.

Secondly, on provisions, we have seen credit costs lower than the new normal in the last two quarters. In the third quarter of last year, there was also this agricultural provision of around {? 13 billion ?}. When does that get reversed? Was there a large corporate recovery? You did mention one. Was there a large corporate recovery this quarter as well, as there was last quarter? Is that correct? That is what I wanted to know.

Management: On the first question, Marukh, retail growth has been steadily picking up over the last few quarters. If you look back, perhaps three or four quarters ago, retail loan growth was running in the single digits, and that has now picked up to close to 15%. Within that, in segments such as mortgages and personal loans, we have seen a steady pickup back to mid-teen levels.

On the corporate side, partly, I suppose, because until around Q2 FY26 our corporate growth was quite subdued, the base effect is also present. However, I do not think there is anything related to

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temporary parking of FCNR funds. It is really a response to client demand and our view on pricing.

Of course, as in any quarter, there is a mix of working capital drawals, short-term lending and long-term lending in the mix of book growth. It is across all three. What is driving it, I think, is a mix of factors: working capital requirements, some shift from bond markets, some shift from foreign currency borrowing markets and some amount of investment activity.

We do not have a particular view on the mix between retail and corporate going forward. The franchise is open on both fronts, and whatever comes in and meets our risk-reward threshold, we would be quite happy to do. We have the capital and funding for that. That would be our response. In terms of our thinking, it is not really a temporary thing from a liquidity perspective.

While we are on the subject of loan growth, I will also cover the business banking segment, where we have seen fairly strong growth. Partly, of course, over the last few quarters there have been drawals on the ECLGS front. In addition to that, the underlying growth in terms of both new customer acquisition by us and the increase in working capital or fresh expansion of business-led activity also continues.

As you would have seen from the NPL numbers across all these segments, portfolio performance continues to be extremely healthy. That is how we would look at it. This also takes us to your second question on provisioning.

On NPL formation, new NPL formation on the corporate side is quite negligible. In business banking, it continues to be quite low, and in retail it is actually quite stable. If we look back over the past four to six quarters, it has come down because of the reduction in NPL formation in personal loans and cards. That is feeding into the provisioning number.

In this quarter, there was one relatively large recovery on the corporate side. As I mentioned in the opening remarks, we also had some higher general provisioning this quarter because of the expansion of the loan book, particularly loans against FCNR deposits in the overseas branches, which is more of a one-off. Adjusted for all this, we would continue to believe that credit cost could be up to 50 basis points.

On standard asset provisioning related to the agricultural portfolio, it is still a work in progress. As I had mentioned earlier, we want to be very sure that whatever remediation we have undertaken is to the satisfaction of the regulator. That process is underway, and hopefully we should have an update on that over the next two quarters.

Marukh Adajania – Tara Capital: Okay. Thanks a lot. Thank you.

Operator: Thank you. The next question is from the line of Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal – Motilal Oswal: Good evening, and thanks for the opportunity. I have a couple of questions. One is on two retail lending product segments: credit cards and gold loans.

On credit cards, we know that the trend has been subdued for the industry and for the bank. The book has been declining slightly quarter-on-quarter. Where are we on that? When are we likely to

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see some recovery in credit card portfolio growth?

On gold loans, this quarter we have seen much slower growth compared with some other banks. Is there anything to read into that? What are our aspirations for this portfolio overall over the coming year?

Management: As far as the credit card book is concerned, we are fully engaged in the business. As you would have seen, we are launching some new products and variants aimed at particular customer segments. We are increasingly looking at it as a shift from a product lens to a customer lens for this product, and looking at it as part of the overall bouquet of our services to customers. It is a high-touch product that helps us establish primariness with the customer. That is the broad approach.

The spending component will keep moving up and down. The specific reason for the decline this quarter was that last year there was a buildup in the book toward the end of September. This year, that will happen during the third quarter and not at the end of Q2. That is more of a seasonal effect, but I do not think there is an underlying issue with growth. Things are perhaps marginally positive. The decline is more of a date and base issue.

On jewel loans, as you would have seen, the year-on-year growth is very strong. Sequential growth has moderated as we have been aligning our processes and distribution, as well as various operational risk management measures, with the new RBI guidelines and ensuring that we conduct the business in full compliance with them. I think it is a matter of time, and we would expect volumes to pick up there.

Nitin Agarwal – Motilal Oswal: The other question is on overall growth. While this quarter has been very well supported by FCNR, do you see any change in the business environment that is driving such strong growth even after adjusting for FCNR? We are reporting more than 10% corporate growth quarter-on-quarter, which you indicated is partly because of the base and because we had not grown much in the past. Is there something else that is materially changing the growth trajectory for the bank over the coming 1-2 years compared with last year?

Management: No. When we look at the bank, we have a very strong franchise across customer segments, so we have access to all growth opportunities that arise as we serve our customers. At different points in time, we may have a different view on pricing, the rate environment or the rate cycle, and may calibrate our growth accordingly. As we have become more comfortable with the point in the rate cycle or the level of pricing in the market, as we have discussed in the past, we have picked up growth. That is how we would continue to look at it.

For banks in general, and for us of course, growth is currently supported by some of the factors we mentioned earlier, including some shift from bond markets and some shift from offshore to onshore rupee markets. We will continue to pursue those opportunities as we go along. Fundamentally, the franchise is fully open and capable of delivering very robust levels of growth.

Nitin Agarwal – Motilal Oswal: Got that. Lastly, if I can squeeze in one more question, how should one look at margins over the next 1-2 quarters as the impact of FCNR-B sourcing, which was very significant for us, has played out fully in this quarter? Do you expect some more compression

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before the recovery begins?

Anindya: As I explained, if you look at the numbers, there has been a small reduction in the domestic margin if one excludes the impact of the income tax refund in the previous quarter. The overseas margin has been stable to slightly higher.

The main impact has come from the fact that the overseas book has expanded as a proportion of the overall book. Also, given the large increase in the term deposit base, that has led to the small reduction in the domestic margin that I mentioned, because mathematically the average CASA ratio has come down.

The FCNR-B deposits were raised during Q2, so the full impact on the average balance sheet will come in Q3. We will see further moderation in margins, offset to some extent by the rate hike that has already taken place.

From Q4, I would expect margins to come back in a healthy way as these factors start to reverse, even assuming there are no further rate hikes. From an overall perspective, as we have said before, this sort of decline in margins for a quarter or two on an optical basis does not worry us at all.

We believe that we have raised a very large quantum of fixed-rate funding, which will support our growth and the expansion of our franchise over a period of time. Also, given that interest rates are certainly unlikely to go down and are probably more likely to go up, that provides a cushion to profitability as well.

From the perspective of timing, balance sheet construct and the pure franchise perspective, we saw this as a big opportunity. The small movement in margins, which remain quite healthy at the absolute level, while there is a shift from quarter to quarter, was not really something that concerned us too much.

Nitin Agarwal – Motilal Oswal: Got it. Thank you so much, Anindya. Wish you all the best.

Operator: Thank you. The next question is from the line of Kunal Shah from Citigroup. Please go ahead.

Kunal Shah – Citigroup: Thanks for taking the question, and congratulations on a good set of numbers.

On overseas margins, if I look at them, they have gone up sequentially. The base has obviously widened, and I believe that the incremental 90,000-odd crores would be at a much lower margin compared to the 1% margin in the overseas business. I did not understand how it is moving up during the quarter and perhaps to what level it can settle once we see the full impact of the overseas FCNR-leveraged book.

Secondly, given that we have raised a substantial amount through FCNR, one of the banks quantified an 11-basis-point impact due to FCNR. If we look at a 4.95% increase in the overseas business and multiply the difference, that itself is the margin impact. Can you quantify how much of an impact FCNR had on margins during the quarter, and when we will see this utilization coming through to the average yield on interest-earning assets at 8.1% or the yield on advances at around

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8.8%? How long would it take for the entire utilization to take place?

Anindya: Overseas margins are not affected only by the margins on FCNR. Interest rates have gone up in dollar markets over the last 3–4 months, and that also results in an increase in margins because you earn a higher spread on deposits, particularly the floating deposits that are there in any bank, including in the operations of our overseas branches.

I would not want to get into projecting overseas margins separately. On an overall basis, what I have said is that the full impact of the increase in the term deposit denominator and its impact on the CASA ratio, as well as the increase in the proportion of the overseas book—which earns a margin of around 1% compared with a margin of more than 4% on the domestic book—will, mathematically, be fully seen in the averages in Q3.

Thereafter, I think we should start seeing a pickup, with a healthy pickup from Q4 onwards. That is how it would work.

On the utilization, yes, we are carrying some excess liquidity currently, and I would expect that to be deployed over the next 2 quarters. That is also the season in which credit growth traditionally tends to be strong.

On the impact of FCNR, I do not really want to give a number excluding or including it. Ultimately, it is something that is on the balance sheet. We have explained the trend of how it impacted margins and what we expect to see going forward.

I do not really want to give a pro forma excluding-impact number because that can be calculated in many ways. It would be a theoretical number. The FCNR deposits are what they are, and the margins are what they are. We are trying to explain them and also provide an outlook on how we expect them to move going forward.

Kunal Shah – Citigroup: Is it fair to assume that the positive impact of the repo rate hike will be lower than the drag we would see because of the full-quarter FCNR impact coming into Q3? There will also be seasonal agricultural activity in Q3. Is that why you are indicating that margins should be down in the third quarter?

Anindya: Yes.

Kunal Shah – Citigroup: Okay. Got it. Thank you.

Operator: Thank you. We will take our next question from the line of Param Subramanian from Investec. Please go ahead.

Param Subramanian – Investec: Hi, good evening. Thanks for taking my question.

Firstly, a question on FCNR itself. Relative to our peers, as a proportion of our balance sheet, the amount we have raised is very high. Has there been any change in our strategy that prompted this? From a strategic perspective, are we now prioritizing NII over NIM, or is there any such consideration?

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The reason I ask is that, thinking back to last year when rate cuts were taking place, it almost seemed to indicate that we had slowed loan growth somewhat and were optimizing for margins. Has there been a change in strategic direction?

Anindya: No, we do not optimize for one metric; we solve for sustainable earnings growth. As you said, at a time when there was a downward rate cycle and we felt that spreads over the rate levels were not sufficient, we calibrated our growth, which has of course changed over the last few quarters.

The FCNR opportunity was a one-off opportunity. As I said, it was not something we evaluated in the context of the short-term impact on margins, but rather in terms of the strength it gave us for business growth over a period of time going forward. The impact on margins is in any case going to be transient.

I think it is an outcome we are very happy with. If we look at the broad breakdown of deposit mobilization—and we had provided this number shortly after the end of August through a public disclosure—I am rounding off the numbers. There was about 18 billion in total. Around 10 billion was where we provided loans to customers, about 3.6 billion was where partner banks provided loans, and more than 4 billion was where customers put in their own money.

We saw that as a very healthy outcome, including in terms of demonstrating the strength of the NRI franchise and the opportunity it gave us to engage with both existing and new NRI customers. We saw it as a significant opportunity to garner these resources, which would support our growth. They were very cost-effective because there is no regulatory preemption on these deposits once you bring them onshore. It made long-term economic sense to maximize this opportunity.

Param Subramanian – Investec: Perfect. Very clear, Anindya. Thank you.

My second question is on fees. Was there any one-off FCNR-related fee in this quarter that you want to highlight? Fee income growth of 20% is much higher than what any of your peers are reporting.

Anindya: There was some amount of processing fees charged for leverage against FCNR. Equally, if you look at operating expenses and the sequential increase in operating expenses, it is largely due to the cost of wholesale resources, bonds and loans that we raised during the quarter to fund that leverage. Broadly, the two offset each other.

Param Subramanian – Investec: Is it possible to quantify that?

Anindya: As I said, the increase in operating expenses between Q1 and Q2 can largely be explained by that.

Param Subramanian – Investec: Okay. Perfect. One last question: savings growth, if anything, or the softer savings deposit growth, is a soft number at 5% year-on-year. Is there anything to read into that? Also, can you separately call out the LCR for September, because that would be higher than the average for the quarter, right? That is all from me.

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Anindya: On savings deposit growth, there is nothing significant to read into it. As we have been saying, it moves up and down from quarter to quarter, but in general there has been a trend of decline in institutional savings, particularly from government departments and similar sources.

Retail savings growth continues to be quite satisfactory. On the retail savings side, we generally do not drive the business on savings alone. We drive our business on money in bank. We look at the total amount of money that the retail customer keeps with us, both in the form of fixed deposits and savings accounts—the retail MIB, as we call it.

If I look at retail MIB accretion, it is quite stable to slightly better, actually, compared with past quarters. That is how we would look at it. We are not really looking at the headline number.

On the LCR for September, it would not really be too informative, Param, because we could have deployed a lot of the excess liquidity in non-HQLA instruments, such as papers issued by financial counterparties, money market mutual funds or bank CDs, which are not eligible as HQLA.

Given the existing base level of LCR, there was no need to deploy further in HQLA. There was a need to optimize the return on liquidity while investing in safe instruments, which is what we did.

Param Subramanian – Investec: Perfect. Thank you so much, and congratulations on the quarter. Thank you.

Operator: Thank you. We will take our next question from the line of Chintan from Autonomous. Please go ahead.

Chintan – Autonomous: Thank you for taking my question. Can I come back to the retail-versus-corporate discussion?

Do the two businesses have similar RAROC thresholds that you give to the businesses? I would assume that the RAROC achieved in retail is higher than in corporate. Even if the businesses meet the threshold, is it fair to say there could be some dilution in ROE if you continue doing corporate business, or does it not work that way?

I would like some color both on the thresholds and on the achieved RAROCs that you assign to the retail versus corporate businesses.

Anindya: It does not really work like that for a couple of reasons. First, the credit loss in the corporate segment is much lower. Even after adjusting for the one-off recoveries, our focus on return of capital at the client level is very high in the corporate segment.

We do not take the same approach in granular portfolios, where we have to look at the portfolio level and have a certain tolerance for credit loss. In corporate portfolios, our focus on return of capital is very high. It is essentially a go-or-no-go decision.

In that sense, I would expect credit costs in the corporate portfolio to be sustainably lower than in retail. Of course, in the case of corporate, there are many ancillary revenue streams, such as transaction banking, payment collection and so on, so we factor all of that into account.

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A lending RAROC alone may not show the full picture. For example, if you look at the very healthy growth in our current account balances over the last year, even on a year-on-year basis, a substantial part of that comes from work done on the corporate franchise. We therefore have to look at it in totality.

Chintan – Autonomous: Okay, but do they produce similar ROEs for you? Is that a fair assumption? I am asking because one of your peers said on a call a couple of quarters ago that the corporate business produces a slightly lower return than the retail business. I wanted to understand whether that is true or false for ICICI Bank Ltd.

Operator: Ladies and gentlemen, we have lost the management connection. Please stay connected.

Operator: Ladies and gentlemen, we have the management team back on the call. Chintan, can you please repeat the last part of your question?

Chintan – Autonomous: Hi, Anindya. What I was asking is that one of your peers—

Anindya: Sorry, we got cut off. To answer your question, corporate is definitely not worse than retail.

Chintan – Autonomous: That is good enough. My second question is that I appreciate all the detail on NIMs. Extrapolating your comments, it does look like the underlying NIMs, excluding FCNR, probably improved quarter-on-quarter. Is that a fair observation?

Anindya: I do not know how that would be the case because the money is now sitting on the balance sheet. We can explain how it has impacted the overall figure, but we cannot really talk about an excluding number.

I would say that, even if you leave aside this factor, our ability to raise funding at the most competitive costs, our focus on pricing and our ability to price our loans well have remained the same.

Chintan – Autonomous: Okay, thank you.

Operator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the conference back to management for closing comments. Over to you, sir.

Anindya: Thank you very much for taking the time out on a Saturday evening, and happy Dussehra in advance. Thank you.

Operator: Thank you. On behalf of ICICI Bank Ltd., that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.