

No risk for ICICI: Moody's, S&P, RBI
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NEW DELHI: Battered by rumours casting doubts about its financial health, ICICI Bank on Sunday received a shot in the arm with global rating agencies Moody's and S&P giving it a thumbs up, saying its overseas arms have no significant sub-prime risks.

The Reserve Bank of India has also said there is no cause of alarm after inspecting the books of ICICI bank and its UK subsidiary.

"ICICI Bank's UK subsidiary has no high risk sub-prime securities and enjoys robust asset quality and liquidity," Moody's said in its latest credit report. It said the bank's credit fundamentals remain sound and any mark-to-market loss would not have any significant impact on its credit profile. These ratings assume importance in the wake of reports that it was over-exposed to risk caused by the global meltdown and that the bank's loan profile was not fully secured and credible. Moody's reaffirmed its rating on ICICI Bank UK with a "stable outlook" in its latest credit opinion, which was released after a sharp plunge of about 20% in ICICI Bank's share price on Indian bourses. Moody's also said ICICI continues to have highest rating for senior debt among Indian banks.

S&P's senior director, financial institutions ratings, Asia, Ritesh Maheshwari, said, "Credit fundamentals of ICICI Bank continue to remain sound despite the reports on its exposure to Lehman Brothers or the Bakerie group. These have to be seen in the context of the \$10 billion capitalisation of the bank and one-billion dollar of profits."

He added that while the overseas investment portfolio might be subject to mark-to-market valuation loss but it should not be significant enough to hurt ICICI Bank's credit profile. Moody's retained its ICICI Bank UK rating at 'Baa1' for senior debt, which is higher than the foreign currency senior debt rating of any Indian bank.

The rating reflects the bank's improving core banking activities and robust asset quality, as well as the developing franchise within the UK, Moody's said, adding that the corporate banking business is centered on providing services to Indian corporates which are in the UK, including merger and acquisition advice, forex business and syndicating Indian paper.

"It has robust asset quality ratios with no loans classified as impaired. It has also stated that ICICI Bank UK maintains a rather conservative investment policy and does not hold any sub-prime assets, nor does it have exposure to CDOs, SIV/SIV lites and leveraged loans."

"The mark-to-market impact in its investment book is not associated with any structured or high-risk sub-prime related securities but is due to the general widening of the credit spreads due to the global market conditions," the agency said.

It further asserted that ICICI Bank UK has a robust liquidity position and that ICICI UK has a relatively high level of capitalisation, with total capital adequacy at 19% at March 31, 2008 and ICICI UK has a strong backing from its parent ICICI Bank.