Analyst call on May 9, 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 forward-looking 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
Mr. Bakhshi’s opening remarks

Good afternoon to all of you and welcome to the ICICI Bank Earnings Call to discuss the Q4-2020 results. Joining us today on this call are Vishakha, Anup, Sandeep Batra, Rakesh and Anindya.

Thank you everyone for joining us today. Team ICICI hopes that you and your family and your near and dear ones are safe and healthy. We would like to extend our gratitude to all the health care workers, sanitation workers, police and other essential service providers and everyone who has continued to work to keep our society functioning and meet our daily needs, for their immense contribution.

Banking was categorised as an essential service to enable customers to meet their requirements in the physical space, to the extent possible, as well as through digital channels. In these challenging times, our employees have shown strong resilience and the ability to adapt to changing circumstances. The health and well-being of our employees and customers and business continuity is of utmost importance to us. The Bank formed a quick response team to take steps to protect the health of the employees and provide essential services to the customers. About 97% of the branches were functional with reduced working hours during the lockdown. The branches were staffed based on the customer footfalls and employees were rostered. Excluding the employees working at the branches and some of the team members from Operations and IT, the majority of the employees
were working from home during the lockdown period and continue to do so. There is an ongoing thorough risk assessment for augmenting IT security controls and addressing any gaps and potential threats in the current working arrangement. ATMs across the country remain operational with an average uptime of about 98%. We have also deployed mobile ATM vans for the benefit of the general public residing in and around the containment zones.

Even in this challenging time, we are seeing opportunities to grow and strengthen our franchise and we are using these opportunities to further accelerate the digital journey of the Bank and our customers. In March 2020, we launched a comprehensive digital banking platform called ICICI STACK which offers nearly 500 services to ensure uninterrupted banking experience to our retail, business banking, SME and corporate customers. Many of these services are first-in-the industry and are available instantly on the Bank’s mobile banking platforms such as iMobile and InstaBIZ or the internet banking platform. These include digital account opening, instant loans, payment solutions, investments and health and term insurance. Small business customers can also use the APIs from the recently launched API Banking Portal to integrate various payment and product solutions. We are seeing increased utilisation of our digital channels and platforms by our customers and have ensured that our IT infrastructure is equipped-maintained to handle any surge in digital transactions. We continue to monitor the situation in the country and would take necessary steps to
ensure the safety of our people and continuity of our business operations.

In our effort to support the nation in its fight against the Covid-19 outbreak, the ICICI Group has committed a sum of 1 billion Rupees, including 800 million Rupees to the PM Cares Fund. ICICI Bank and ICICI Foundation have worked actively to assist various agencies including hospitals, the police, paramilitary forces, municipalities and other government bodies in their tireless efforts to safeguard the citizens of the country.

While the first two months of Q4 of 2020 saw business as usual, the month of March was impacted by Covid-19. In Q4 of 2020, our core operating profit increased by 17.6% year-on-year to 71.48 billion Rupees. For FY2020, the core operating profit grew by 21.5% to 268.08 billion Rupees. The lower growth in core operating profit in the fourth quarter reflects the high level of interest on income tax refund of 4.14 billion Rupees in the corresponding quarter last year.

Our deposit flows continue to remain healthy. Term deposits grew by 28.6% year-on-year to 4.2 trillion Rupees at March 31, 2020 while average CASA deposits increased by 12.0% year-on-year in this quarter. The Bank has been carrying substantial excess liquidity and the liquidity coverage ratio on a daily average basis for the quarter was healthy at about 125% and on an outstanding basis at March 31 was even higher. Deposit flows have continued to be robust and liquidity has continued to
increase post March 31. The deposit flows and costs are reflected in the progressive reductions in our MCLR.

The loan growth was impacted in March due to Covid-19. The domestic loan book grew by 12.9% year-on-year at March 31, 2020 driven by retail loans, which grew by 15.6% year-on-year. The overseas branches portfolio decreased by 14.4% year-on-year in Rupee terms and 21.7% year-on-year in US dollar terms as of March 31, 2020. The overall loan growth was 10.0% year-on-year.

Coming to asset quality, gross NPA additions were 53.06 billion Rupees this quarter. As you are aware, there have been certain developments with respect to a healthcare group based in West Asia and an oil trading company based in Singapore, where the borrowers appear to have been misrepresenting their financial position to the lenders. Our exposures to both these accounts have been classified as non-performing and substantially provided for in this quarter. Going forward, we do not expect any further impact on the P&L from these accounts. Here one would want to spend a couple of minutes on our overseas business. Since March 2016, the overseas branches loan portfolio has reduced by about 50% in absolute US dollar terms and its share in the total loan portfolio has decreased from its peak of 24% in 2014-15 to about 8% at March 31, 2020. We have redefined our international strategy from FY2019 onwards to focus on:
• Non-resident Indians for deposits and remittances businesses, with digital and process decongestion as a key enabler;
• Deepening relationships with well-rated Indian corporates in international markets, subject to our risk management framework;
• Deepening relationships with MNCs and funds for maximising the India-linked trade, fund flow, transaction banking and lending opportunities, with strict limits on exposures, including reduction in current exposure where required; and
• Progressively exiting exposures that are not linked to India, in a planned manner.

Our provision coverage against non-performing loans was 75.7% at March 31, 2020. We have made Covid-19 related provisions of 27.25 billion Rupees against standard assets to further strengthen the balance sheet, which Rakesh will explain in more detail. Excluding the Covid-19 related provisions, credit costs were 206 basis points of average loans for Q4 of 2020 and 186 basis points of average loans for FY2020.

The profit after tax was 12.21 billion Rupees in the current quarter compared to 9.69 billion Rupees in Q4 of 2019. For the full year, profit after tax was 79.31 billion Rupees compared to 33.63 billion Rupees in FY2019. In line with RBI guidelines issued on April 17, 2020, the Board has not recommended any dividend for FY2020. The CET-1 ratio was healthy at 13.39% at March 31, 2020.
The Bank has undertaken a detailed analysis of its loan portfolio to assess the potential impact of the pandemic and economic disruption. As you would appreciate, we are currently in a period of high uncertainty and any outlook necessarily involves a range of assumptions around constantly evolving variables. Hence, we would not share any specific numbers in terms of the outlook. At a systemic level and for us there will be an impact on revenues and an increase in rating downgrades and NPA formation. However, based on our current assessment and the starting level of capital, operating profits and provision coverage on NPAs, as well as the Covid-19 related provisions we are carrying, we expect to be well-able to absorb the impact.

We will continue building a granular book and lending to higher rated corporates. We are conscious of the importance of balance sheet resilience in a highly uncertain scenario. As we mentioned, our current capital position is strong. We would continue to assess this and look at further strengthening the balance sheet as opportunities arise. We see our digital and technology platforms as a key strength, and the present scenario as an opportunity to re-engineer the delivery of banking. We are using this period to further strengthen our platforms, our ability to capture market potential and our delivery capabilities, while enhancing efficiency.

As mentioned earlier, we have seen robust deposit flows post March 31, 2020, reflecting the strength and trust of our brand and
franchise. Overall the Bank is well positioned to serve risk calibrated opportunities that would arise in the coming times.

At ICICI Bank, we are committed to building a sustainable and responsible business and creating a positive impact on the economy, society and the environment. We have a Board-approved Environment, Social and Governance Framework which integrates the various policies and approaches of the Bank with regard to ESG. Our activities around ESG are covered in the slides 43 to 47 in the investor presentation. The Bank is committed to having an ethical and transparent relationship with all its stakeholders and making a positive impact on the society in which we operate and the environment.

With these opening remarks, I will now hand the call over to Rakesh.
Mr. Jha’s remarks

Thank you, Sandeep.

A. Loan and deposit growth

The overall loan portfolio grew by 10.0% year-on-year as of March 31, 2020. The domestic loan growth was 12.9% year-on-year as of March 31, 2020 driven by a 15.6% year-on-year growth in the retail business. Within the retail portfolio, the mortgage loan portfolio grew by 12.3% to 2.0 trillion Rupees, auto loans by 2.5%, business banking by 41.0%, rural lending by 13.8% and commercial vehicle and equipment loans by 7.7% year-on-year. The personal loan and credit card portfolio grew by 40.7% year-on-year, off a relatively small base, to 609.42 billion Rupees and was 9.4% of the overall loan book as of March 31, 2020. The domestic loan portfolio at March 31, 2020 grew by 2.1% over December, 31, 2019. Within this, the retail portfolio grew by 2.6% over December 31, 2019. The sequential loan growth was lower than previous quarters.

The SME business comprising of borrowers having a turnover of less than 2.5 billion Rupees grew by 27.5% year-on-year to 228.51 billion Rupees as of March 31, 2020.

Growth of the performing domestic corporate portfolio was about 9.3% year-on-year. The Bank is focusing on meeting the
commercial banking needs of its corporate clients, including foreign exchange and derivatives, trade finance, payments and collections, as well as tapping opportunities across corporate ecosystems, including the supply chain and the employees.

Coming to the funding side: We continue to focus on growing the daily average CASA balances. Average savings account deposits increased by 11.0% year-on-year and average current account deposits increased by 14.9% year-on-year during the quarter. Average current account deposits grew by 17.1% year-on-year in FY2020. Total term deposits grew by 28.6% year-on-year to 4.2 trillion Rupees at March 31, 2020.

**B. Credit Quality**

Gross NPA additions during the quarter were 53.06 billion Rupees. The gross NPA additions from the retail portfolio were 12.94 billion Rupees. Of the corporate and SME gross NPA additions of 40.12 billion Rupees, 4.68 billion Rupees represents the impact of rupee depreciation on existing foreign currency NPAs. There were slippages of 17.26 billion Rupees from corporate and SME borrowers rated BB and below at December 31, 2019 which includes devolvement of non-fund based outstanding to NPAs amounting to 0.32 billion Rupees. The slippages from the BB and below rated portfolio include 5.86 billion pertaining to an account which was substantially recovered in the same quarter pursuant to a settlement. The balance corporate and SME NPA additions virtually entirely
comprise the oil trading company and the healthcare group that Sandeep mentioned earlier. The provision coverage ratio, excluding write-offs continues to remain healthy at 75.7% as of March 31, 2020.

Recoveries and upgrades excluding write-offs were 18.83 billion in the current quarter. There were recoveries and upgrades of 9.74 billion Rupees from the retail portfolio and 9.09 billion Rupees from the corporate portfolio. The gross NPAs written-off during the quarter aggregated to 54.55 billion Rupees. The Bank sold gross NPAs amounting to 0.13 billion Rupees in Q4 of 2020.

The total net non-performing assets were 101.14 billion Rupees at March 31, 2020 compared to 103.89 billion Rupees at December 31, 2019. The gross NPA ratio declined from 5.95% at December 31, 2019 to 5.53% at March 31, 2020. The net NPA ratio declined from 1.49% at December 31, 2019 to 1.41% at March 31, 2020.

The loans and non-fund based outstanding to borrowers rated BB and below (excluding NPAs) were 166.68 billion Rupees at March 31, 2020 compared to 174.03 billion Rupees at December 31, 2019 and 175.25 billion Rupees at March 31, 2019, of which:

- The non-fund based outstanding to non-performing loans, was 50.63 billion Rupees at March 31, 2020 compared to 39.19 billion Rupees as of December 31, 2019. The Bank
holds provisions of 11.82 billion Rupees as of March 31, 2020 against this non-fund based outstanding

- The fund and non-fund based outstanding to borrowers under RBI resolution schemes was 15.33 billion Rupees as of March 31, 2020 compared to 38.94 billion Rupees as of December 31, 2019
- The fund and non-fund outstanding to restructured loans was 1.80 billion Rupees at March 31, 2020
- The balance 98.92 billion Rupees of fund-based and non-fund based outstanding to borrowers rated BB and below, includes 65.98 billion Rupees related to cases with an outstanding greater than 1.00 billion Rupees and 32.94 billion Rupees related to cases with an outstanding of less than 1.00 billion Rupees.

On slide 29 and 30 of the presentation, we have provided the movement in our BB and below portfolio during Q4 of 2020 and FY2020.

- The rating downgrades from investment grade categories (excluding fund-based outstanding to accounts that were also downgraded to NPA in the same period) were 22.88 billion Rupees in Q4 of 2020. The downgrades were granular in nature. In terms of sectoral composition, there were a few downgrades in the commercial real estate sector.
• There were rating upgrades to the investment grade categories and a net decrease in outstanding of 12.97 billion Rupees in Q4 of 2020.

• Lastly, there was a reduction of 17.26 billion Rupees in Q4 of 2020 due to slippage of some borrowers into the non-performing category and devolvement of non-fund based outstanding to existing NPAs.

The Bank has operationalised the RBI guidelines on moratorium for borrowers as follows:

• Borrowers required to opt-in for the moratorium, which included all eligible corporate and most retail and SME borrowers

• Borrowers with automatic deferral who could opt-out of the moratorium, which included select retail categories like commercial vehicles and rural loans, comprising about 11% of total loans

At April end, loans under moratorium across both opt-in and opt-out categories constituted approximately 30% of total loans.

The Bank has made Covid-19 related provisions of 27.25 billion Rupees against standard assets to strengthen the balance sheet. Based on extant RBI guidelines, the Bank is required to make a provision of 5% in Q4 of 2020 amounting to 6.07 billion Rupees on all loans overdue as of March 1 where moratorium has been
granted. Loans that were overdue more than 90 days at March 31 but have not been classified as non-performing were 13.09 billion Rupees. The impact of classification of these loans as non-performing on the gross NPA ratio at March 31, 2020 would have been 18 basis points. On these loans, the Bank has made provisions equivalent to that on NPA accounts, which is included in the Covid-19 related provisions of 27.25 billion Rupees mentioned earlier.

The total outstanding provisions at March 31, 2020, excluding provisions for non-performing assets considered in the computation of the provisioning coverage ratio, were 79.40 billion Rupees, or 1.2% of loans. These include the Covid-19 related provisions, provisions held against the non-fund based outstanding to NPAs, general provisions on standard assets and other standard asset provisions.

C. P&L Details

Net interest income increased by 17.2% year-on-year to 89.27 billion Rupees, driven by both loan growth and an increase in margins. Interest on income tax refund was 0.27 billion Rupees this quarter compared to 0.16 billion Rupees in the previous quarter and 4.14 billion Rupees in Q4 of last year. Excluding the impact of interest on income tax refund, net interest income grew by 23.5% year-on-year in Q4 of 2020. The net interest margin was at 3.87% in Q4 of 2020 compared to 3.77% in the previous quarter and 3.72% in Q4 of last year. The impact of interest on
income tax refund and interest collections from NPAs was about 4 basis points this quarter compared to 10 basis points in Q3 of 2020. The domestic NIM was at 4.14% in Q4 of 2020 compared to 4.04% in Q3 of 2020 and 4.12% in Q4 of 2019. International margins were at 0.28% in Q4 of 2020.

Non-interest income, excluding treasury income, grew by 15.8% year-on-year to 40.13 billion Rupees in Q4 of 2020.

- Fee income grew by 13.2% year-on-year to 35.98 billion Rupees in Q4 of 2020. There was some impact of the lockdown and social distancing measures in the last fortnight of March. Retail fee income grew by 16.1% year-on-year and constituted about 75% of overall fees in the current quarter.
- Dividend income from subsidiaries was 3.38 billion Rupees in Q4 of 2020 compared to 2.69 billion Rupees in Q4 of 2019. The dividend income from subsidiaries was 12.73 billion Rupees in FY2020 compared to 10.78 billion Rupees in FY2019. In line with the IRDAI guideline asking insurers to conserve capital, ICICI General and ICICI Life have not recommended any final dividend for FY2020. As a result, dividend income from subsidiaries is expected to reduce in FY2021.

On Costs: The Bank’s operating expenses increased by 15.7% year-on-year in Q4 of 2020. The employee expenses increased by 17.7% year-on-year and non-employee expenses increased by
14.4% year-on-year in Q4 of 2020. The Bank had 99,319 employees at March 31, 2020. The provisions on retirals and other employee benefits have increased during this quarter due to decline in yields the current quarter compared to Q4 of 2019. For FY2020, employee expenses increased by 21.5% year-on-year and non-employee expenses increased by 18.3% year-on-year.

Treasury recorded a profit of 2.42 billion Rupees this quarter compared to 1.56 billion Rupees in Q4 of 2019.

The core operating profit increased by 17.6% year-on-year to 71.48 billion Rupees in Q4 of 2020. Excluding the impact of interest income on income tax refund, the core operating profit grew by 25.7% year-on-year in Q4 of 2020. For FY2020, the core operating profit grew by 21.5% year-on-year to 268.08 billion Rupees.

Total provisions were 59.67 billion Rupees in Q4 of 2020 compared to 54.51 billion Rupees in Q4 of 2019. These include the Covid-19 related provisions. There was no benefit of the relaxation provided by RBI in relation to making additional provisions required for extension in resolution period as per the June 7, 2019 circular. Excluding the Covid-19 related provisions, credit costs were 206 basis points of average loans for Q4 of 2020 and 186 basis points of average loans for fiscal 2020.
The profit before tax was 14.23 billion Rupees in Q4 of 2020 compared to 7.82 billion Rupees in Q4 of 2019. The profit after tax was 12.21 Rupees in Q4 of 2020 compared to 9.69 billion Rupees in Q4 of the previous year. The profit after tax was 79.31 billion Rupees in FY2020 compared to 33.63 billion Rupees in FY2019.

**D. Capital**

As per Basel III norms, the Bank on a standalone basis had a CET-1 ratio of 13.39%, Tier 1 capital adequacy ratio of 14.72% and total capital adequacy ratio of 16.11%. On a consolidated basis, the Bank’s Tier 1 capital adequacy ratio was 14.41% and the total capital adequacy ratio was 15.81%.

**E. Loan portfolio information**

Retail loans as a proportion of total loans were 63.2% as of March 31, 2020. Including non-fund based outstanding, the share of the retail portfolio was 53.3% of the total portfolio as of March 31, 2020. The portfolio level build-up strategy for the retail loan book has been based on utilising the existing customer database for sourcing in key retail asset products through cross sell and up-sell. The underwriting process involves a combination of key variables to assess the cash flow and repayment ability of the customer like income, leverage, customer profile, affluence markers, bureau data and demographics. The Bank utilises multiple data points from the ecosystem including liability and
asset relationships, transaction behaviour and bureau behaviour along with proprietary machine learning/statistical models for credit decisioning. The Bank also leverages on the strong analytical capabilities for finer risk segmentation of customers based on internally developed scorecards and models which help in achieving superior categorisation for delinquency identification. The Bank carries out regular benchmarking of its major retail portfolios with industry through credit bureaus and the delinquency metrics have been better than the industry for all major retail products. We continue to monitor the performance at a sub-segment level and in view of the current operating environment, we have reviewed the customer selection and underwriting norms and carried out necessary policy strengthening at micro-market and sub-segment level.

Our mortgages portfolio was about 49% of the retail loan portfolio and about 31% of the total loan portfolio at March 31, 2020. Home loans comprise about 70% of the total mortgage portfolio and the balance are predominantly loans against property. The home loan portfolio is granular in nature with average ticket size of about 3.0 million Rupees. It is geographically well diversified and has been built on fundamental premises of cashflow assessment of underlying borrower as well as meeting the legal and technical standards of the Bank for the property being mortgaged. The average loan-to-value ratio of the home loan portfolio is about 65%. The loan against property portfolio has conservative loan to value ratios and lending is based on cash flows of business/individuals with limited reliance
on the value of collateral. The valuation of the property is carried out internally. The average loan-to-value ratio of the loan against property loan portfolio is about 55%.

Auto loans and commercial business loans, which includes commercial vehicle financing, account for 5% and 4% of the overall portfolio respectively. The commercial vehicle portfolio across banks, including us, had seen an increase in delinquencies even before the outbreak of Covid-19 and the situation is likely to deteriorate further due to lockdown across the country. However, it may be noted that generally the economic life of a commercial vehicle or a construction equipment is much higher than the tenor of the loan. It has been seen during past cycles that vehicle and equipment owners repay dues as and when the asset starts to generate profit in tandem with economic recovery. The growth in the auto loan portfolio across banks, including us, has declined over the last few quarters due to decline in passenger car sales.

Our personal loan and credit card portfolio is about 9% of our total loan portfolio. We have grown this portfolio from a low base primarily through cross-sell. About 70% of the personal loan and credit card portfolio is to the existing customers base which provides strong liability information for credit assessment. Around 85% of the portfolio comprises salaried individuals. About 75% of the customers in the salaried segment are employed with well rated corporates including MNCs, and government entities, and have stable income streams. The delinquency rates for the remaining customers in the salaried
segment are only marginally higher than the rest of the portfolio. This can be attributed to conservative underwriting norms in terms of higher income cut offs, lower leverage norms, loan caps, etc. The self-employed segment in these portfolios is about 15% and while this segment could be more impacted in the current environment, the proportion of customers in highly impacted sectors like restaurants and travel and tourism is low.

The rural portfolio comprises 9% of the total portfolio. Within this gold loans comprise 2% and kisan credit cards comprise 3%. We and other banks have been highlighting the higher delinquencies in the kisan credit card portfolio for the last several quarters. Our overall micro finance loans are very small and negligible.

Our business banking portfolio accounts for 4% of the total portfolio. It comprises small business customers with an average ticket size of 10-15 million Rupees. The relatively high growth in this portfolio reflects the low base and market share. Our focus in this segment is on parameterised and programme based lending, digital channels, granularity, collateral and robust monitoring. About 85% of the portfolio has a collateral cover of more than 100%. About 87% of the portfolio qualifies for priority sector lending. The delinquency trends in this portfolio have been low.

The corporate, international and SME portfolios were 36.8% of total loans as of March 31, 2020. Including non-fund based outstanding, the share of the corporate, international and SME portfolios was 46.7% of the total portfolio as of March 31, 2020.
The SME portfolio comprising exposures to companies with a turnover of up to 2.50 billion Rupees was 3% of total loans. In the past, the Bank has experienced high NPLs in this portfolio. In recent years, the Bank has reoriented its strategy in this portfolio towards granularity, collateral security and more parameterized lending.

The international loan portfolio was 8.4% of the overall loan book as of March 31, 2020. Excluding exposures to banks and retail lending against deposits, the corporate fund and non-fund outstanding at March 31, 2020, net of cash/bank/insurance backed lending, was 7.48 billion US dollars. 63% of the outstanding was to Indian corporates and their subsidiaries and joint ventures. 16% of the outstanding was to non-India companies with Indian or India-linked operations and activities. The portfolio in this segment is well-rated and the Indian operations of these companies are target customers for the Bank’s deposit and transaction banking franchise. The Bank would continue to pursue risk-calibrated opportunities in this segment. 7% of the outstanding was to companies owned by NRIs/PIOs. 14% of the outstanding was to other non-India companies which is about 1% of the total portfolio of the Bank.

We are planning significant reduction in this portfolio. While the outstanding to Indian corporates and their subsidiaries and joint ventures has remained at a similar level compared to the previous year, the balance portfolio has reduced by about 30% year on year at March 31, 2020.
The builder portfolio including construction finance, lease rental discounting, term loans and working capital loans was 223.18 billion Rupees or about 3% of our total loan portfolio. The real estate sector had been under stress even before the outbreak of Covid-19 due to slow sales, cash flow mismatches and funding constraints. The lockdown on account of Covid-19 is expected to cause delays in respect of project progress and sales. Our portfolio is granular in nature with the larger exposures being to well-established builders. About 12% of our builder portfolio at March 31, 2020 was either rated BB and below internally or was classified as non-performing.

The total outstanding to NBFCs and HFCs was 397.55 billion Rupees or about 5% of our total outstanding loans at March 31, 2020 and the details are given on slide 32 of the investor presentation. Our exposure is largely to well-rated entities with long vintage, PSUs, and entities owned by banks and well-established corporate groups. The proportion of the NBFC and HFC portfolio internally rated BB and below or non-performing is about 2%.

Coming to our non-fund based exposure, we would like to highlight that the notional amount of derivatives and swaps represents over 90% of the amount reported as contingent liabilities in the financials. Since 2016, we have focused on shifting from non-fund based exposure to fund-based exposure even as we continue to consider all types of exposures for our credit assessment and limit set up. The outstanding amount of
letters of credit and bank guarantees has declined over the last four years while the total advances of the Bank have grown by a CAGR of about 10%. The outstanding amount of letters of credit and bank guarantees was about 22% of the total advances as of March 31, 2020, compared to 34% at March 31, 2016.

Overall, our approach to the corporate portfolio since 2015-16 has comprised:

- Improvement in the incremental rating mix, with 80-90% of incremental disbursements being to clients rated A- and above;
- Reduction in concentration risk, particularly in lower rated borrowers, reflected in the reduction in share of top 20 borrowers (excluding banks) in the portfolio, substantial improvement in the rating profile of top exposures and a much more granular lower rated (that is, BB and below) portfolio. Other than three accounts, one each in the telecom, power and construction sectors, the maximum single borrower outstanding in the BB and below portfolio was less than 6 billion Rupees as of March 31, 2020. The fund-based outstanding of the construction account is classified as non-performing and its non-fund based outstanding is part of the BB and below portfolio;
- Reduction in specific types of exposures such as project implementation risk, equity shares as primary security and low visibility of cashflow;
• Shift from non-fund to fund-based exposure, even as we continue to consider all types of exposures for our risk assessment and limits; and

• Sell-down/ syndication of originations to other market participants.

Over the last two years, our focus has shifted further from loan growth to serving the entire ecosystem of the corporate client including its employees and business associates.

As Sandeep mentioned, the Bank has undertaken a detailed analysis of its loan portfolio to assess the potential impact of the pandemic and economic disruption. This involved assumptions on the time to normalcy of the environment; assessment of resilience of the borrower based on income or profits, leverage, rating or credit score, level of fixed costs, market reputation, liquidity on hand and ease of restart of the business; and assessment of the Covid-19 induced risk intensity including the industry, the nature of the market, volatility levels in the specific segment and complexity of the business.

• For the retail portfolio, other than business banking, risk markers based on credit score, leverage and loan-to-value as well as categorisation of employers for salaried borrowers and inputs from analysis of customers under moratorium were considered.
• In the rural portfolio, the analysis was based primarily on assumptions of drop in collection efficiency.
• For the SME and business banking portfolios, factors such as collateral, industry, location and other credit markers were considered.
• For the corporate portfolio, the Bank has conducted a borrower-specific analysis covering a substantial part of the portfolio. In respect of NBFCs/ HFCs, the analysis took into account available liquidity, collection assumptions, promoter support and ease of refinancing. For the real estate developer portfolio, assumptions on rentals and cash flows were considered.

At March 31, 2020, the Bank had 75.7% coverage against existing NPAs. The total outstanding provisions at March 31, 2020, excluding provisions for non-performing assets considered in the computation of the provisioning coverage ratio, were 79.40 billion Rupees, or 1.2% of loans. These include the general provision on standard assets, Covid-19 related provisions, provisions held against non-fund based outstanding to NPAs and other standard asset provisions. The Bank’s CET-1 ratio is comfortable. Based on the above, our operating profitability and our current assessment, we would be well able to absorb the impact of the potential stress induced by the Covid-19 pandemic.
F. Subsidiaries

The details of the financial performance of subsidiaries is covered in slides 38 to 39 and 65 to 70 in the investor presentation. I will briefly talk about the major highlights of the unlisted subsidiaries.

The profit after tax of ICICI AMC was 2.17 billion Rupees in the current quarter, at a similar level compared to last year.

ICICI Bank Canada had a loss of 7.5 million Canadian dollars in the current quarter compared to a profit after tax of 22.0 million Canadian dollars in Q3 of 2020 and 12.6 million Canadian dollars in Q4 of 2019. The loss in the current quarter primarily reflects the increase in expected credit loss provisions under IFRS 9 due to change in the macro-economic outlook arising from Covid-19. For the full year, the profit after tax was 40.6 million Canadian dollars compared to profit after tax of 52.4 million Canadian dollars for FY2019.

ICICI Bank UK had net loss of 6.8 million US dollars this quarter compared to a net profit of 8.0 million US dollars in Q3 of 2020 and a loss of 25.3 million US dollars in Q4 of 2019. The loss in the current quarter reflects the collective overlay provisions related to Covid-19. For the full year, the profit after tax was 23.2 million US dollars compared to a net loss of 52.9 million US dollars for FY2019.
The focus for the overseas subsidiaries is similar to that for the branches, primarily around NRI and India-related opportunities. The non-India corporate portfolio of the subsidiaries has reduced over the last one year, and we are working on a further planned reduction going forward.

ICICI Home Finance had a profit after tax of 0.64 billion Rupees in the current quarter compared to a profit after tax of 0.03 billion Rupees in Q3 of 2020 and a loss of 0.03 billion Rupees in Q4 of 2019.

The consolidated profit after tax was 12.51 billion Rupees in Q4 of 2020 compared to 46.70 billion Rupees in Q3 of 2020 and 11.70 billion Rupees in Q4 of 2019. The consolidated profit after tax was 95.66 billion Rupees in FY2020 compared to 42.54 billion Rupees in FY2019.

With this we conclude our opening remarks and we will now be happy to take your questions.