

ICRA Lanka affirms the Issuer rating of [SL] AAA of ICICI Bank Limited (Sri Lanka Branch)

ICRA Lanka has reaffirmed the Issuer Rating of [SL] AAA (pronounced S L triple A)¹ of ICICI Bank (Sri Lanka Branch). The rating factors in strong financial and operational support from the parent ICICI Bank (rated [ICRA] AAA/Stable), comfortable capitalization levels with a large proportion of the assets being deployed into Sovereign Securities/ cash equivalents. The credit strengths are partially offset by small scale of the Sri Lankan operations, modest profitability and high credit concentration in the advances book.

ICICI Bank (Sri Lanka branch) commenced operations in January 2006 with focus on retail lending and remittance business. Subsequently, in line with the bank's global strategy, retail assets operations were curtailed CY2008 onwards. The bank's focus remains on corporate lending for India linked local corporates and reputed local companies. The current retail portfolio is less than 1% of total advances running down from business carried out till 2008. Total assets stood at Rs. LKR 10,831 million as on June 30, 2012 with the loan book accounting to LKR 2,643 million while bulk of the remainder of the assets were deployed in liquid investments (government securities and interbank lending).

On the liability front, apart from LKR 3,253 million Net Worth as on June 30, 2012, the Sri Lankan operations has access to funds from the ICICI group to manage its operations. In addition it has built a local franchise that enables it to raise deposits from corporate and retail segments.

ICRA Lanka notes that the banks funding continues to be predominantly from ICICI group borrowings, accounting for more than 73% of total funding as at Q1FY13 (79% as at FYE Mar-12).

The Bank is comfortable in the capitalization front with regulatory Capital Adequacy Ratio reported at 43.31% as at Q1FY13 (36.76% as at FYE Mar-12), however would be dependent on the Head Office for support to meet regulatory capital requirements in FY 2013.

Interest income on loans and advances grew from LKR 103.42 Mn recorded in FYE Mar-11 to LKR 142.24 Mn in FYE Mar-12 mainly on account of the increase in advances base. The sharp increase in profitability with Net profits of LKR 125.34 Mn recorded as at FYE Mar-12 up from LKR 17.84 Mn recorded as at FYE Mar-11 was mainly due to the increase in lending and the one-time loan related receipt of LKR 59.57 Mn. For Q1FY13 the Bank has reported Net Profits of LKR 72.91 Mn on a total income of LKR 211.08 mn, supported by improved margins.

ICICI Bank Profile

ICICI Bank is the largest private sector bank and the second largest commercial bank in India. For the year ended March 31, 2012, ICICI Bank reported net profits of INR² 64.65 billion on assets of INR 4,736 billion and had a regulatory capital adequacy of 18.52% (Tier I:12.68%). For the six months period ended September 30, 2012, ICICI bank reported net profits of INR 37.71 billion on total assets of INR 4,970 billion and a regulatory capital adequacy of 18.28% (Tier1: 12.83%). With a presence in the banking, insurance, asset management, investment banking and private equity sectors, the ICICI Group is an important and large player in the Indian financial system.

December 2012

¹ For complete rating scale and definitions please refer to ICRA Lanka's Website www.icralanka.com or other ICRA Rating Publications

² 1 INR= 2.37 LKR as on Dec 10, 2012

ICICI Bank Limited (Sri Lanka Branch)

	Jun-12	Mar-12	Mar-11	Mar-10
<i>Months</i>	3	12	12	12
Total Assets	10,831.27	15,550.08	9,818.03	6,433.50
Deposits	1,956.00	2,546.94	1,909.48	1,217.16
Advances	2,642.66	3,280.88	2,548.97	1,024.20
Equity Capital	2,501.31	2,501.31	2,501.31	2,501.31
Net Worth	3,253.55	3,180.64	3,055.30	3,040.39
Total Income	211.08	644.19	485.56	631.39
Net Profit	72.91	125.34	17.84	107.71
Net Interest Margins	4.12%	2.76%	4.14%	7.90%
Core Fee based Income/Operating income	0.43%	0.27%	0.16%	0.33%
Operating Expenses/Avg. Total Assets	1.60%	2.08%	3.02%	4.36%
Operating Profits/Avg. Total Assets	3.37%	1.79%	1.43%	3.96%
Profit after Tax / Average Total Assets	0.55%	0.99%	0.22%	1.81%
Net Non-Performing Assets (NPA)/Loans (%)	0.73%	0.66%	1.49%	4.13%
Capital/Risk Assets (%)	43.31%	36.76%	58.55%	116.20%
Total Deposits/Total Liabilities (%)	18.06%	16.33%	19.45%	18.92%
Loans/Deposits (%)	135.11%	129.20%	133.49%	83.74%
Investment/Deposits (%)	97.44%	55.64%	158.26%	249.88%
Savings Deposits/Total Deposits (%)	14.70%	11.79%	14.13%	16.68%
Term Deposits/Total Deposits (%)	71.26%	62.93%	79.41%	73.07%
<i>Note : Amounts in LKR Mn</i>				

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