Media call on January 30, 2021: opening remarks by Mr. Sandeep Batra, Executive Director, ICICI Bank

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.

This release does not constitute an offer of securities.

Good afternoon everyone. Joining me today for this call is our Group Chief Financial Officer- Rakesh Jha.

Thank you all for joining us today and we hope that you are safe and in good health. India has embarked on what we hope would be the last stage of its fight against the Covid-19 pandemic with the launch of the nationwide vaccination drive. We would like to extend our gratitude to the relentless efforts of the medical and research fraternity, healthcare staff and all essential service providers who have helped to put up a strong fight against Covid-19. I would also like to take a moment here to thank our employees for their service to customers in these challenging times.

Our Board has today approved the financial results of ICICI Bank for the quarter ended December 31, 2020.

I would like to highlight a few key numbers:

A. Profit and capital

1. The core operating profit i.e. the profit before provisions and tax excluding treasury income, increased by 15% year-on-year to ₹ 8,054 crore in Q3-2021.
2. Net interest income increased by 16% year-on-year to ₹ 9,912 crore in Q3-2021. The net interest margin was 3.67% in Q3-2021 compared to 3.57% in Q2-2021 and 3.77% in Q3-2020. The domestic NIM was at 3.78% in Q3 of 2021.
3. Fee income was ₹ 3,601 crore in Q3-2021. Compared to a decline of 31% year-on-year in Q1-2021 and 10% year-on-year in Q2-2021, fee income grew marginally year-on-year in Q3-2021. The sequential growth in fee income was 15% reflecting the continuing normalisation in customer spending and borrowing activity. Retail fees constituted 78% of total fees in Q3-2021.
4. Operating expenses increased by about 4% year-on-year in Q3-2021.
5. The profit after tax grew by 19% year-on-year to ₹ 4,940 crore in Q3-2021.

6. At December 31, 2020, the Bank had a net worth of about ₹ 1.4 lakh crore and a CET-1 ratio of 16.79%, Tier 1 ratio of 18.12% and total capital adequacy ratio of 19.51% including the profits for 9M-2021.

B. Deposit growth

1. Deposit growth continued to be strong. Total deposits grew by 22.1% year-on-year to about ₹ 8.7 lakh crore at December 31, 2020. The liquidity coverage ratio for the quarter was 146%, reflecting significant surplus liquidity. Our cost of deposits is the among the lowest in the system. Our 360-degree customer coverage, digital platforms and efforts towards process decongestion have played an important role in the growth of our deposit franchise.
2. Average savings account deposits increased by 16% year-on-year in Q3-2021.
3. Average current account deposits increased by 27% year-on-year in Q3-2021.
4. Term deposits grew by 26% year-on-year.

C. Loan growth

1. The continued pickup in economic activity and tailwinds from the festive season combined with the Bank's digital initiatives and extensive franchise reflected in an increase in disbursements across retail products during Q3-2021. Mortgage disbursements increased further in Q3-2021 over Q2-2021 and reached an all-time monthly high in December driven by the Bank's efforts to offer a convenient and frictionless experience to customers by digitising the entire underwriting process, with instant loan approvals. Disbursements of auto loans continued to increase from the September levels and crossed pre-Covid levels in December. Till January 27, 2021, We have disbursed about ₹ 12,000 crore under the ECLGS 1.0 scheme and about ₹ 600 crore has been disbursed under the ECLGS 2.0 scheme. Credit card spends have reached pre-Covid levels in December led by

increased spends in categories such as health & wellness, electronics and e-commerce. These trends resulted in healthy sequential growth across portfolios.

2. The overall retail loan portfolio grew by 15% year-on-year and 7% sequentially. Within the retail portfolio, the mortgage loan portfolio grew by 15% year-on-year, business banking by 39%, rural lending by 25%. The growth of the performing domestic corporate portfolio was 10% year-on-year and 9% sequentially. The SME portfolio grew by 25% year-on-year and 16% quarter-on-quarter. Overall, the domestic loan portfolio grew by 13% year-on-year and 7% sequentially.
3. The overseas loan portfolio declined by 26% year-on-year in US dollar terms at December 31, 2020. The non-India linked corporate portfolio reduced by 48% year-on-year and 14% sequentially at December 31, 2020.

D. Digital initiatives

1. We have continued to reimagine existing digital journeys in order to decongest delivery of service and enhance customer experience. The 'ICICIStack' helps us to curate and offer hyper-personalised solutions to our customers suiting their lifecycle or business needs. We offer bespoke digital solutions for corporate and institutional customers which enable us to tap into their ecosystems. The steady increase in adoption and fund flows through our digital financial supply chain and trade platforms has contributed to the growth of our deposit franchise.
2. We expanded our state-of-the-art mobile banking app, iMobile, to iMobile Pay which offers payment and banking services to customers of any bank. We have seen about 5 lakh activations of iMobile Pay from non-ICICI Bank customers since it was launched just two months ago.
3. We launched 'ICICI Bank Mine', India's first comprehensive banking programme for millennials. It offers an instant savings account, a feature driven iMobile application, investment guidance to suit the needs of millennials, curated credit and debit card, and instant personal loans & overdrafts.

4. We launched an online platform called 'Infinite India' offering not only banking solutions but also other value added services for foreign companies looking to establish or expand business in the country.
5. The volume of mobile banking transactions increased by 60% year-on-year in Q3-2021. Digital channels like internet, mobile banking, POS and others accounted for over 90% of the savings account transactions in 9M-2021.
6. About 36% of the term life insurance policies were sold online in 9M-2021. 59% of fixed deposits and 53% of mutual fund SIPs were sourced digitally in 9M-2021.
7. We have issued about 1.4 million Amazon Pay credit cards since its launch in 2018, making it the fastest co-branded card in the country to cross the milestone of 1 million, in less than 20 months of its launch. We are the market leader in electronic toll collections through FASTag. The Bank's average monthly transactions by value on FASTag grew by 85% year-on-year in Q3-2021 and our market share by value was 37% in December 2020.

E. Asset Quality

1. The indicators around economic activities have been positive and this reflects in the trends of our portfolio. The trends in collections and overdue across loan portfolios continued to improve during the third quarter of the current fiscal year.
2. Gross NPA additions were ₹ 471 crore in Q3-2021.
3. Recoveries and upgrades, excluding write-offs, were ₹ 1,776 crore in Q3-2021.
4. Loans amounting to ₹ 8,280 crore were not classified as non-performing at December 31, 2020 compared to ₹ 1,410 crore at September 30, 2020 pursuant to the Supreme Court's interim order.
5. In addition, the total fund based outstanding to all borrowers under resolution as per RBI's framework not included in these proforma NPA numbers is about ₹ 2,546 crore or about 0.4% of the total loan portfolio at December 31, 2020.

Of the above fund based outstanding, ₹ 837 crore was from the retail loan portfolio.

6. During Q3-2021, the Bank made contingency provision amounting to ₹ 3,012 crore for borrower accounts not classified as non-performing pursuant to the Supreme Court’s interim order and utilised ₹ 1,800 crore of Covid-19 related provisions made in earlier periods.
7. The Bank held aggregate Covid-19 related provision of ₹ 9,984 crore, including contingency provision for proforma NPAs, amounting to ₹ 3,509 crore.
8. On a proforma basis, the provisioning coverage is robust at 77.6% as of December 31, 2020.
9. The net NPA ratio, on a proforma basis and including the contingency provisions, was 1.26% at December 31, 2020 compared to 1.12% at September 30, 2020.
10. Our aim is to be proactive in provisioning with the objective of ensuring that the balance sheet is robust at all times. We have further strengthened our provisioning policies on NPAs during this quarter. Our contingency provisions on proforma non-performing loans during the quarter also take into account this revised policy. The provisions during the quarter were higher by about ₹ 2,100 crore due to this more conservative approach.
11. We are confident that the Covid-19 provisions we hold as of end-December will completely cushion the balance sheet from potential credit losses which may arise due to the pandemic. As we have stated earlier, we expect a normalisation of credit costs in fiscal 2022 based on our current expectations of economic activity and portfolio trends.

Our subsidiaries have performed well during the quarter, as you would have seen from the results announced by listed subsidiaries and our press release.

Looking ahead, we see optimism in the economy supported by the indicators of resumption of economic activity and continued growth in digitisation. We believe our extensive franchise, high quality digital platforms and solutions, our approach of 360-degree customer centricity, our prudent risk management practices and our strong capital ratios put us in a good position to capture opportunities that will arise in the near and medium term. We will continue to focus on delivering consistent and predictable returns to our shareholders.

With this, I conclude my opening remarks. I will be happy to take your questions.