

## **Media call on July 24, 2021: 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](http://www.sec.gov).*

Good evening everyone. Joining me today for this call is our Group Chief Financial Officer- Rakesh Jha. Thank you all for joining us today. We hope that you are safe and in good health.

The second wave of the Covid-19 pandemic was more severe compared to the first wave in terms of cases and fatalities, and a wider geographic reach. As banking is classified as an essential service, most of our branches were open even during the months of April and May when containment measures were in place in various parts of the country. We are happy to share that now about 80% of our employees have received at least one dose of vaccination against Covid-19. We would like to thank the medical and health workers and other essential workers for their tireless efforts in this fight against Covid-19.

At ICICI Bank, we continue to steadily grow our franchise and maintain our strong balance sheet. Our Board has today approved the financial results of ICICI Bank for the quarter ended June 30, 2021. I would like to highlight some key numbers:

### **A. Profit and capital**

1. Core operating profit i.e. profit before provisions and tax, excluding treasury income grew by 23% year-on-year to ₹ 8,605 crore in Q1-2022.
2. Net interest income increased by 18% year-on-year to ₹ 10,936 crore in Q1-2022 from ₹ 9,280 crore in Q1-2021.
3. The net interest margin was 3.89% in Q1-2022 compared to 3.84% in the Q4-2021 and 3.69% in Q1-2021

4. Fee income grew by 53% year-on-year to ₹ 3,219 crore in Q1-2022 from ₹ 2,104 crore in Q1-2021. Fees from retail, business banking and SME customers increased by 65% year-on-year and constituted about 76% of total fees in Q1-2022
5. The profit after tax grew by 78% year-on-year to ₹ 4,616 crore in Q1-2022 compared to ₹ 2,599 crore in Q1-2021
6. At June 30, 2021, the Bank had a net worth of about ₹ 1.5 lakh crore and a CET-1 ratio of 17.01%, Tier 1 ratio of 18.24% and total capital adequacy ratio of 19.27% including profits for Q1-2022.

## **B. Deposit growth**

1. Total deposits increased by 16% year-on-year to ₹ 926,224 crore at June 30, 2021
2. Average current account deposits increased by 32% year-on-year in Q1-2022
3. Average savings account deposits increased by 22% year-on-year in Q1-2022
4. Total term deposits increased by 9% year-on-year to ₹ 501,122 crore at June 30, 2021

## **C. Loan growth**

1. The domestic loan portfolio grew by 20% year-on-year and was flat sequentially. The overseas loan portfolio declined by 15% year-on-year and increased by 7% sequentially. Total advances increased by 17% year-on-year and was flat sequentially.

2. The retail loan portfolio grew by 20% year-on-year, performing domestic corporate portfolio, excluding the builder portfolio, by 15%, business banking portfolio by 53% and SME portfolio by 43% year-on-year. Of the total loan portfolio retail was about 62%, domestic corporate was about 24%, business banking was about 5%, SME was about 4% and overseas was about 5%. Including non-fund outstanding, retail was 50.4% of the total portfolio at June 30, 2021.

#### **D. Digital initiatives**

1. Our digital platforms and solutions, presence in various ecosystems and process decongestion initiatives have played an important role in the growth of our franchise. Our 360-degree customer coverage using ICICI STACK has expanded our franchise and deepened our relationships with our customers.
2. In December 2020, the Bank had expanded its state-of-the-art mobile banking app, iMobile, to iMobile Pay which offers payment and banking services to customers of any bank. There have been over 25 lakh activations of iMobile Pay by non-ICICI Bank account holders within six months of its launch. The transactions by non-ICICI Bank account holders in terms of value and volume have grown by eight times and seven times, respectively, in June 2021 compared to March 2021. The value of mobile banking transactions increased by 117% year-on-year to ₹ 349,072 crore in Q1-2022.
3. The business banking and SME franchise continues to grow on the back of digital offerings and platforms like InstaBIZ. InstaBIZ

is a comprehensive platform which meets most of the banking needs of business banking customers such as instant overdraft facilities, payment of GST and remittances. Our supply chain platform, enables corporates to seamlessly manage their supply chain financing, payments, collection and reconciliation requirements of their dealers and vendors in a convenient and paperless manner. The financial transactions on InstaBIZ and supply chain platforms have grown steadily in the past few quarters. The value of financial transactions through InstaBIZ more than doubled year-on-year in Q1-2022.

4. The Bank has taken a number of initiatives to offer a convenient and frictionless experience to customers by digitising the credit underwriting process, with instant loan approvals. The proportion of end-to-end digital sanctions and disbursements across various products has been increasing steadily. About 34% of our total mortgage sanctions by volume were end-to-end digital in Q1-2022 compared to 19% FY2021. About 46% of personal loan disbursements by volume were end-to-end digital in Q1-2022 compared to 42% in FY2021. Of the total asset and liability accounts opened as well as third party products sold during June, about 40% was end-to-end digital. About 95,000 customers were onboarded using video KYC in June 2021.
5. The credit card spends grew by 156% year-on-year and were flat sequentially in Q1-2022. In July 2021, the Amazon Pay credit card became the fastest co-branded credit card in the country to cross the milestone of issuing 20 lakh cards. The Bank recently launched a co-branded credit card with Hindustan Petroleum called 'ICICI Bank HPCL Super Saver Credit Card'. This card offers

best-in-class rewards and benefits to customers on their everyday spends on fuel as well as other categories.

6. In the UPI space, the Bank's strategy is to participate in UPI payments both directly through the Bank's own platforms and partner with third party players in the peer-to-peer and payment to merchant space of the UPI. We are seeing high customer engagement through repeat usage of features like Pay to Contact, Scan to Pay and bill payments on iMobile Pay. The volume of transactions through the 'Pay to Contact' feature, which enables users to easily transfer money to any payment app or digital wallet via UPI, has grown by over five times in Q1-2022 over Q4-2021. The value of merchant acquiring transactions through UPI has more than doubled year-on-year and grew by 32% sequentially in Q1-2022.
7. Digital channels like internet, mobile banking, PoS and others accounted for over 90% of the savings account transactions in Q1-2022. The Bank is a market leader in electronic toll collections through FASTag. The electronic toll collections for the Bank grew by 146% year-on-year in Q1-2022. The Bank had a market share of 36% by value in the electronic toll collections through FASTag in Q1-2022.
8. The Bank has recently launched a digital platform called Merchant Stack, which offers an array of banking and value-added services to retailers, online businesses and large e-commerce firms such as digital current account opening, instant overdraft facilities based on point-of-sale transactions and instant settlement of point-of-sale transactions, among others. We also introduced ICICI STACK for Corporates which is a comprehensive set of

digital banking solutions for corporates and their entire ecosystem of promoters, employees, dealers, and vendors. These solutions enable corporates to seamlessly meet all banking requirements of their ecosystems in a frictionless manner.

9. We continue to invest in technology to enhance our offerings to customers as well as the scalability, flexibility and resilience of our technology architecture. We actively monitor and improve our technology infrastructure to minimise disruptions in services to our customers.

## **E. Asset Quality**

1. The measures imposed by authorities in various parts of the country to contain the spread of the second wave of the pandemic had a significant impact on collections and recoveries in April and May. We sought to adopt a sensitive approach to the difficulties faced by our customers and prioritised their health and safety as well as that of our employees. Unlike last year, regulatory dispensations such as moratorium were not available to borrowers this time. This has led to an increase in overdues and gross NPA additions in Q1-2022 for the banking system, including us
2. The net non-performing assets were ₹ 9,306 crore at June 30, 2021 compared to ₹ 9,180 crore at March 31, 2021
3. In spite of the challenges posed by the second wave of Covid-19 pandemic, the net NPA ratio remained broadly stable at 1.16% at June 30, 2021 compared to 1.14% at March 31, 2021.

4. The net addition to gross NPAs during the quarter was ₹ 3,604 crore. The gross NPA additions were ₹ 7,231 crore. The gross NPA additions from the retail and business banking portfolio were ₹ 6,773 crore and from the corporate and SME portfolio were ₹ 458 crore. The retail gross NPA additions included additions of ₹ 961 crore from the kisan credit card portfolio and ₹ 1,130 crore the jewel loan portfolio. Jewel loan is a fully secured product and the loss given default in this portfolio is negligible.
5. Recoveries and upgrades of NPAs, excluding write-offs and sale, were ₹ 3,627 crore in Q1-2022
6. 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. The provisions during the quarter were higher by about ₹ 1,127 crore due to this more conservative approach. The provision coverage ratio on NPAs was robust at 78.2% at June 30, 2021, higher than 77.7% at March 31, 2021.
7. The total fund based outstanding to all standard borrowers under resolution as per the various extant regulations/ guidelines was ₹ 4,864 crore, or about 0.7% of the total loan portfolio at June 30, 2021 compared to ₹ 3,927 crore at March 31, 2021.
8. In the June quarter, based on our current assessment of the portfolio, we wrote back Covid-19 provisions amounting to ₹ 1,050 crore made in earlier periods. We hold Covid-19 provisions of ₹ 6,425 crore which are about 0.9% of our total loans. We are confident that the Covid-19 provisions will completely cushion the balance sheet from the potential credit losses which may arise due to the pandemic. The performance of the portfolio in

FY2021 and the strength of the balance sheet give us significant comfort.

Looking ahead, we see many opportunities to grow the core operating profit in a risk-calibrated manner. We will calibrate our growth in the near term based on the operating environment and the future trajectory of the Covid-19 pandemic. We will continue to focus on creating holistic value propositions for our customers and capturing opportunities across customer ecosystems, leveraging internal synergies, building partnerships and simplifying processes. We have a wide physical distribution network and our best-in-class digital platforms provide seamless onboarding and transacting experience for our customers. We are making investments in technology, people, distribution and building our brand. We are guided by our philosophy of “Fair to Customer, Fair to Bank” emphasizing the need to deliver fair value to customers while delivering consistent and predictable returns to our shareholders.

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