



ICICI Bank: Strategy and Performance

CLSA India Forum
February 2004

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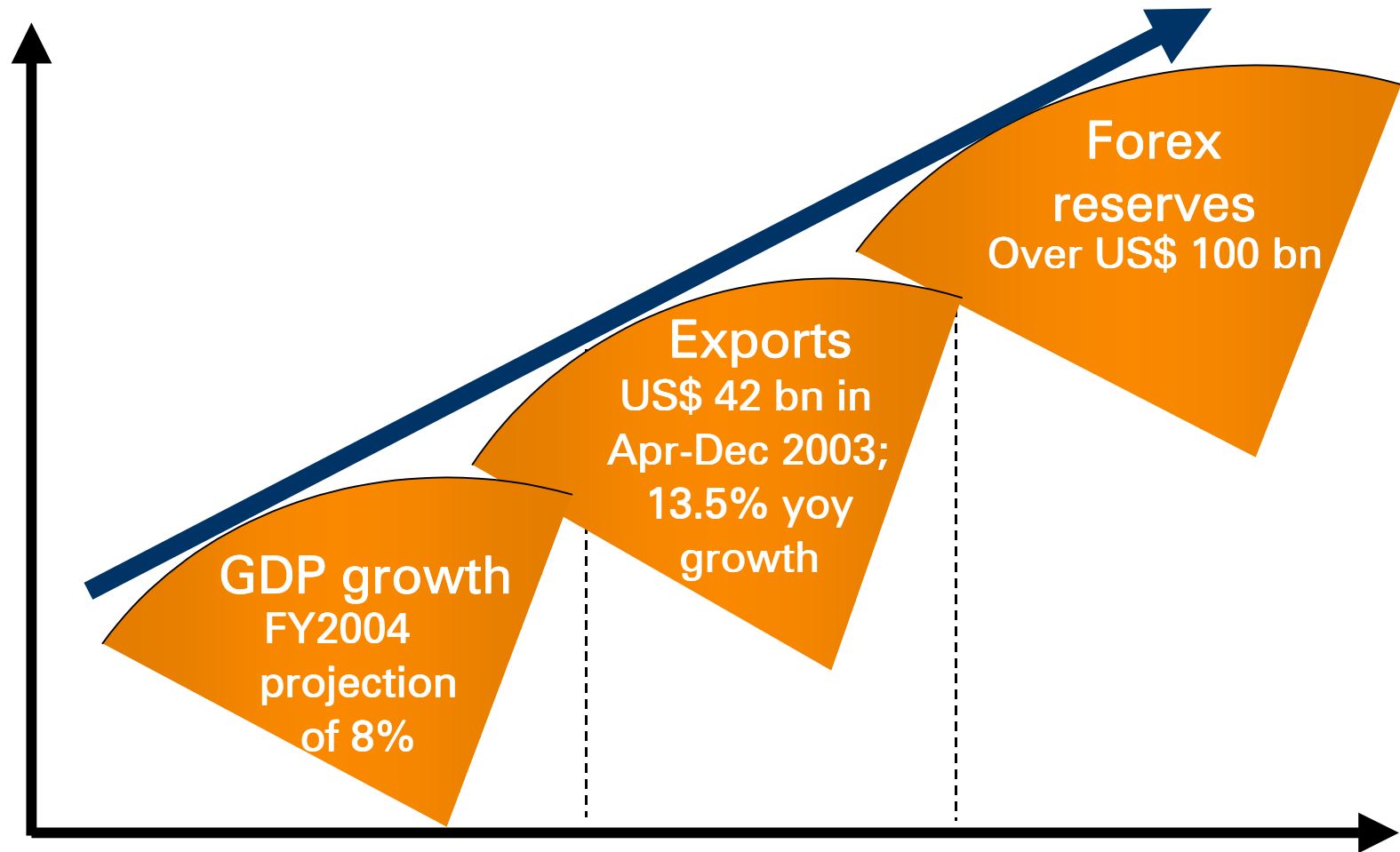
Agenda

Economic Backdrop

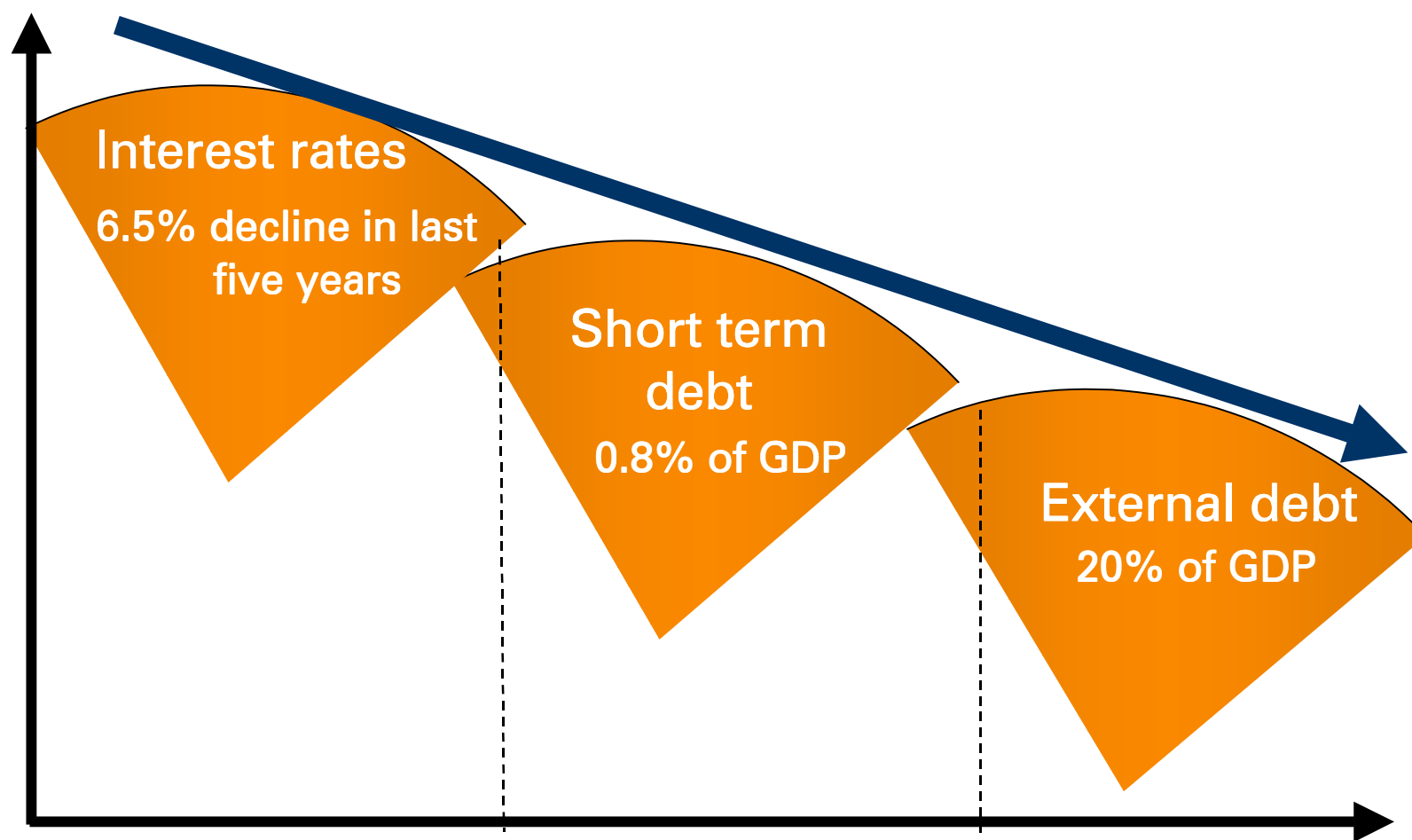
ICICI Bank: Opportunities and Strategy



Indian economy - Strong fundamentals



Indian economy - Strong fundamentals



These developments are the result of a decade of reform

- Focus on globalisation
 - Thrust on export led growth
 - Deregulation to encourage technology & capital flows
 - Integration with international financial markets
- Key reform measures
 - Lowering of tariff barriers and liberalised imports
 - Average tariff reduced from 53% to 18% in last 5 years
 - Full convertibility of the rupee on current account
 - Permitting domestic companies to access foreign capital markets
 - Substantial liberalisation of restrictions on foreign investment



Knowledge has emerged as a key growth driver

- Services sector accounts for 56% of GDP
- Rich pool of human capital
 - Quality educational institutions
 - Huge entrepreneurial pool
 - World-class management talent and skilled workforce
 - Personnel costs are lower than Western countries
 - Large English speaking population
- Establishing a new growth paradigm
 - Sublimating knowledge capital to create value



Building and leveraging technology capabilities

- Well established competitiveness of IT sector
 - Software exports of about USD 8 billion
- New opportunities due to improved telecom infrastructure
 - Call centres
 - Financial transaction processing
 - Research, engineering & design
 - Several multi-national companies have established R&D operations in India
- Growing adoption of technology by Indian businesses and consumers



Resurgence of the manufacturing sector

- Prolonged period of restructuring and repositioning
 - Early 1990s: capitalising on domestic demand
 - Mid- to late 1990s: restructuring to achieve world-class efficiency
 - 2000: Articulation of international competitiveness
- Key transformational trends
 - Increasing deployment of technology
 - Declining interest rates
 - Deleveraging and organic capital generation
 - Constantly improving quality standards

...large productivity improvements with limited investment



International competitiveness

- Competitive across a range of sectors
 - Auto components & light engineering
 - Two-wheelers
 - Consumer goods
 - Textiles
 - Pharmaceuticals
- Ability to set up and operate globally scaled production facilities
- Emerging developments
 - Indian multinationals- setting up production bases and acquiring companies overseas
 - India as a global manufacturing hub



Missing links being addressed...

Power

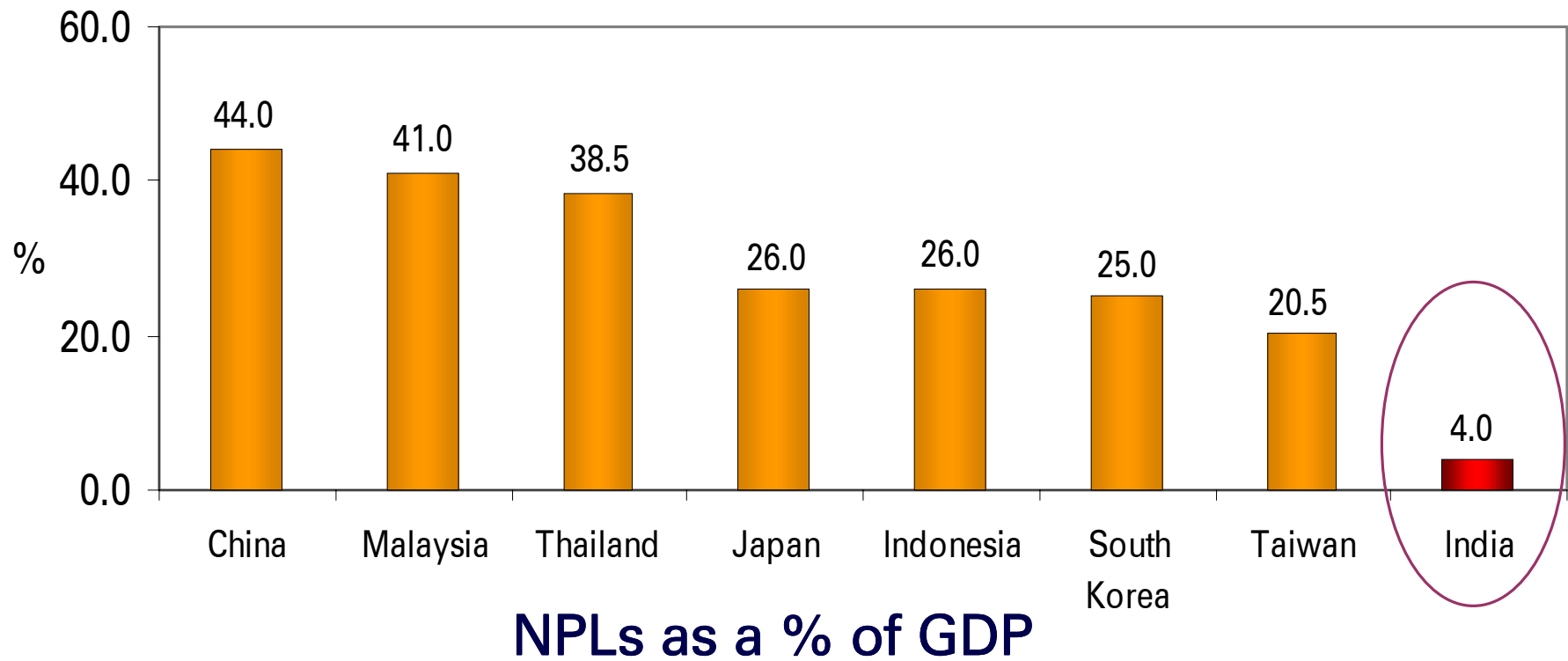
- Key policy initiatives
 - Electricity Act passed
 - New focus on creating capacities as well as transmission and distribution efficiency

Urban infrastructure

- Need for urban rejuvenation – housing, roads, utilities
- Policy focus on urban infrastructure
- Local bodies in several cities taking initiatives in this area



Healthy financial system



Source: E&Y Report, 2002; RBI





The strong fundamentals and the existing under-penetration of financial services offer growth opportunities for banks.



Agenda

Economic Backdrop

ICICI Bank: Opportunities and Strategy



ICICI Bank today

India's largest private sector bank

Among top two brands in the financial sector

Market leader in retail finance

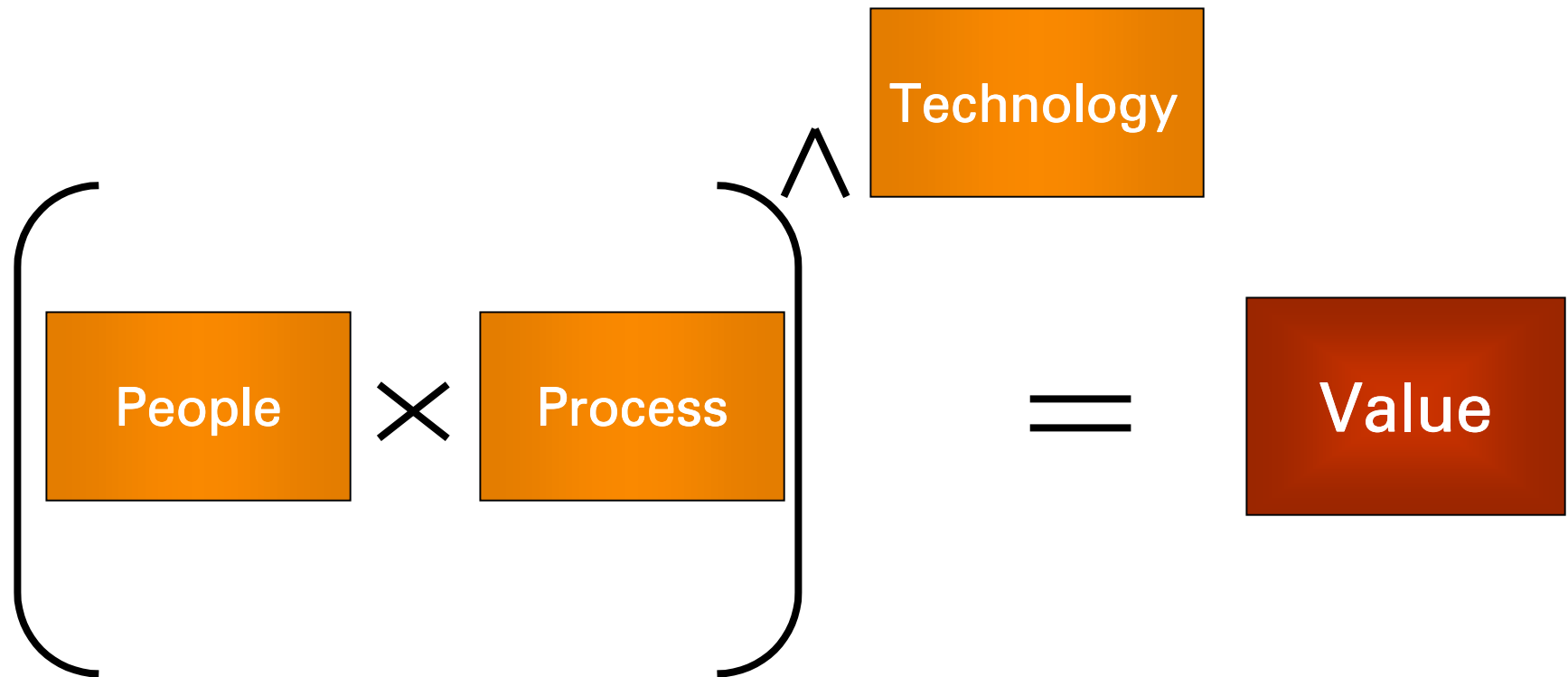
Technology leader

Present across the spectrum of financial services

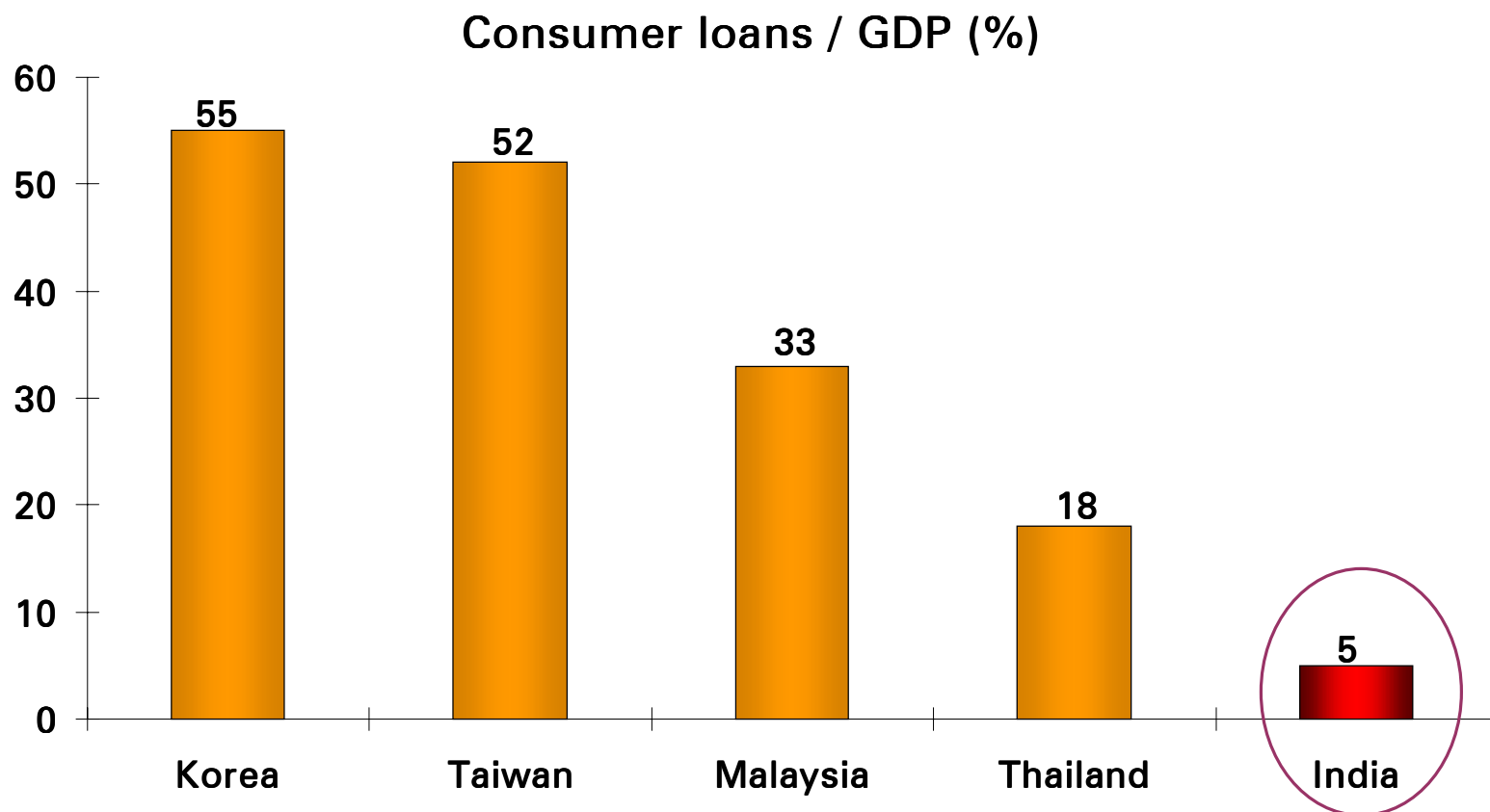
Strong financial performance



Our value proposition



The consumer finance opportunity in India...



..with strong drivers of consumer credit growth

- Robust economic growth
- Changing demographic profile
 - 69% of the population under 35 years
- Declining retail loan interest rates
 - Interest rates on residential mortgages have reduced by 7% (i.e. by half) over last 4 years
- Increasing convenience in access to credit
 - Entry of banks and use of technology enhancing reach and accessibility

*...annual market of US\$ 20 bn,
growing at over 40%*



Foundations of our retail strategy...

People

- Lateral recruitment to build domain capabilities
- Average age: 29 years

Credit

- Centralised product & credit policies
- Tight control on credit screens
- External physical verifications

Systems

- System capabilities for rapidly growing volumes
- Use of Six Sigma tools
- Mining and analysing customer data



New paradigm in consumer credit distribution...

Doorstep delivery

- Agents taking product to the customer
- Availability of credit at the customer's home or office

Point-of-sale delivery

- Strong channel partner network
 - Manufacturers, dealers, realtors
- Availability of credit at point-of-sale of product

Enhanced customer convenience the key selling proposition



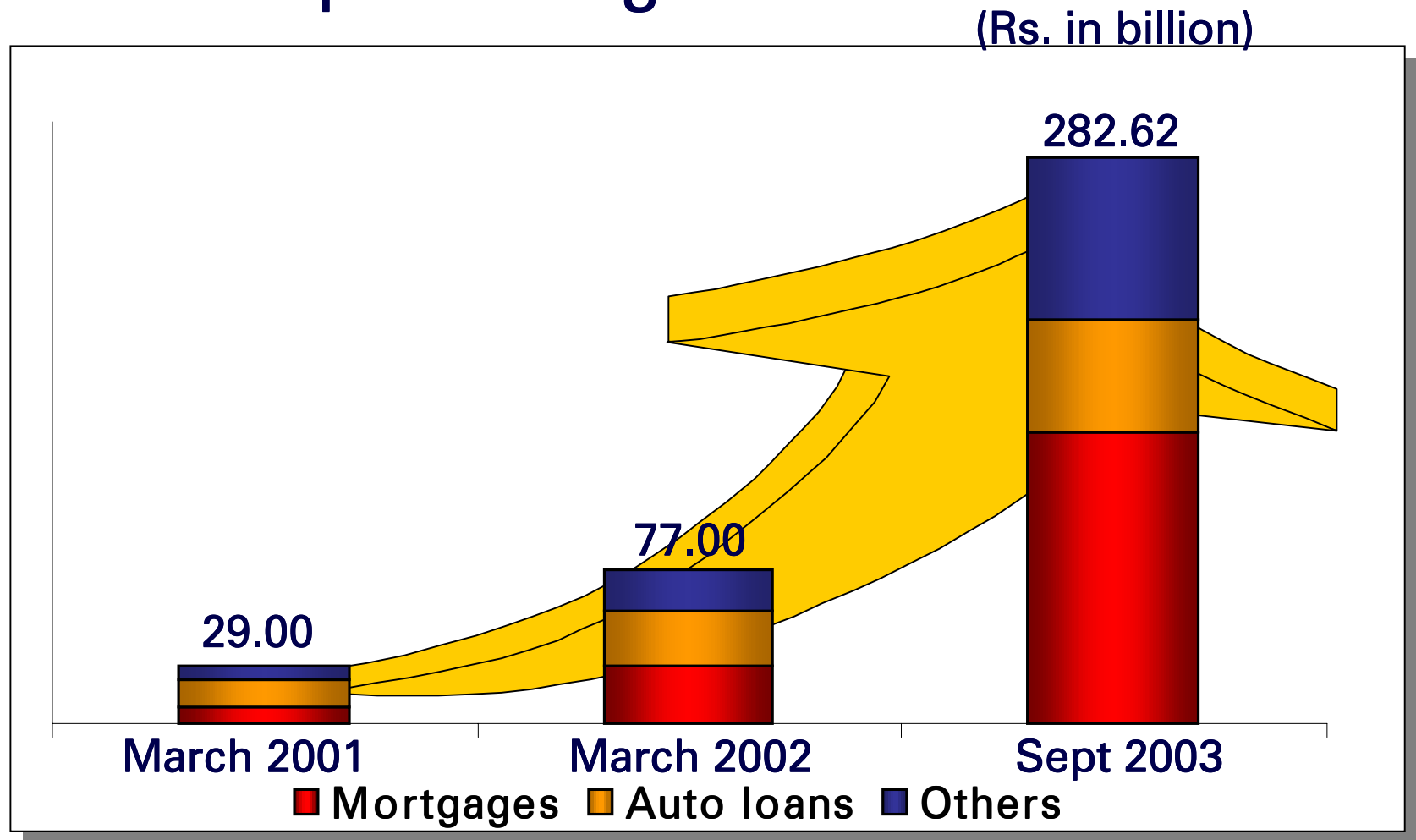
Market leadership in retail credit...

Product	ICICI Bank's market share	Market share of nearest competitor
Auto & two-wheeler	34%	15%
Mortgage	30%	30%
Commercial vehicles	25%	18%
Personal loans	22%	19%
Total	30%	

Source: ICICI Bank estimates



...robust portfolio growth



..retail now accounts for 49% of loans



Corporate banking opportunities

- Robust growth in services sector
- Competitive manufacturing sector emerging from a prolonged period of restructuring and repositioning
 - Focus on better asset utilisation and financial management
- Renewed focus on infrastructure development
- Several opportunities for banks
 - Technology-driven fee-based services
 - Treasury and risk management products
 - Debt syndication, structured finance and market-making
 - Investment banking



Our strategy

Credit products	Fee-based services	Treasury products	Investment banking
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- Shift from “lender” to “banker”
- Leveraging relationships to deepen penetration
- Improving product capabilities
- Use of technology to offer superior delivery capabilities in transaction banking



Corporate banking highlights

- Market leader in
 - Debt syndication and securitisation
 - Rupee swaps & options
 - Initial Public Offering collections
 - Securities market services¹
- Growth in foreign exchange business
 - Seven-fold growth in monthly volumes in two years
- Named “Best Trade Finance Bank in India” by Global Finance magazine

*1. Depositary Receipt custodial services
& institutional derivatives clearing*

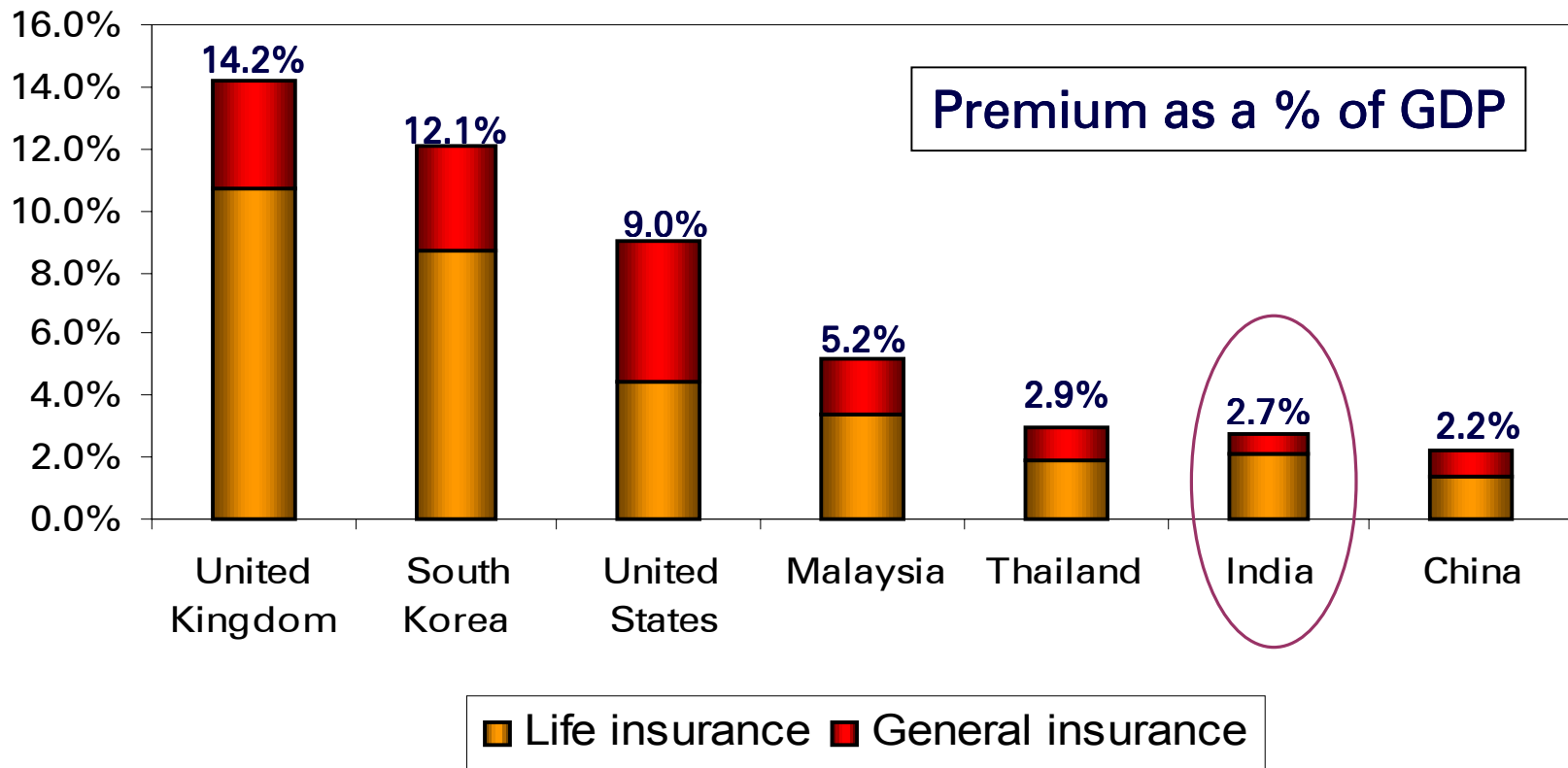


Agri-business highlights

- Largest incremental credit to the agri sector by any bank in FY2003 (Rs 18.00 bn)
- Demonstrated viability of branch-less banking model by delivering credit to farmer's doorstep
- First securitisation of micro-finance portfolio in the world (of Rs 200.0 mn)
- First rainfall insurance product launched in India
- Launched commodity based financing products finance to the farmers
- Launched price derivative linked post harvest finance



Insurance opportunity



Source: Swiss Re, Economic Research & Consulting (June 2002)



Our leadership in life insurance...

Market share

- Maintained leadership in private sector
- Retail market share of 37% during 9M-2004

Reach

- Presence in 47 locations
- About 29,000 agents
- 12 bancassurance partners

Portfolio mix

- Linked products constituted 80% of Annual Premium Equivalent in 9M-2004

Financial performance

- New business achieved profits (NBAP) of Rs. 1.28 bn in 9M-2004 compared to Rs. 0.71 bn in FY2003



...and general insurance

Market share

- Among the top two players in the private sector during 9M-2004

Reach

- Presence in 62 locations, up from 35 in March 2003

Portfolio mix

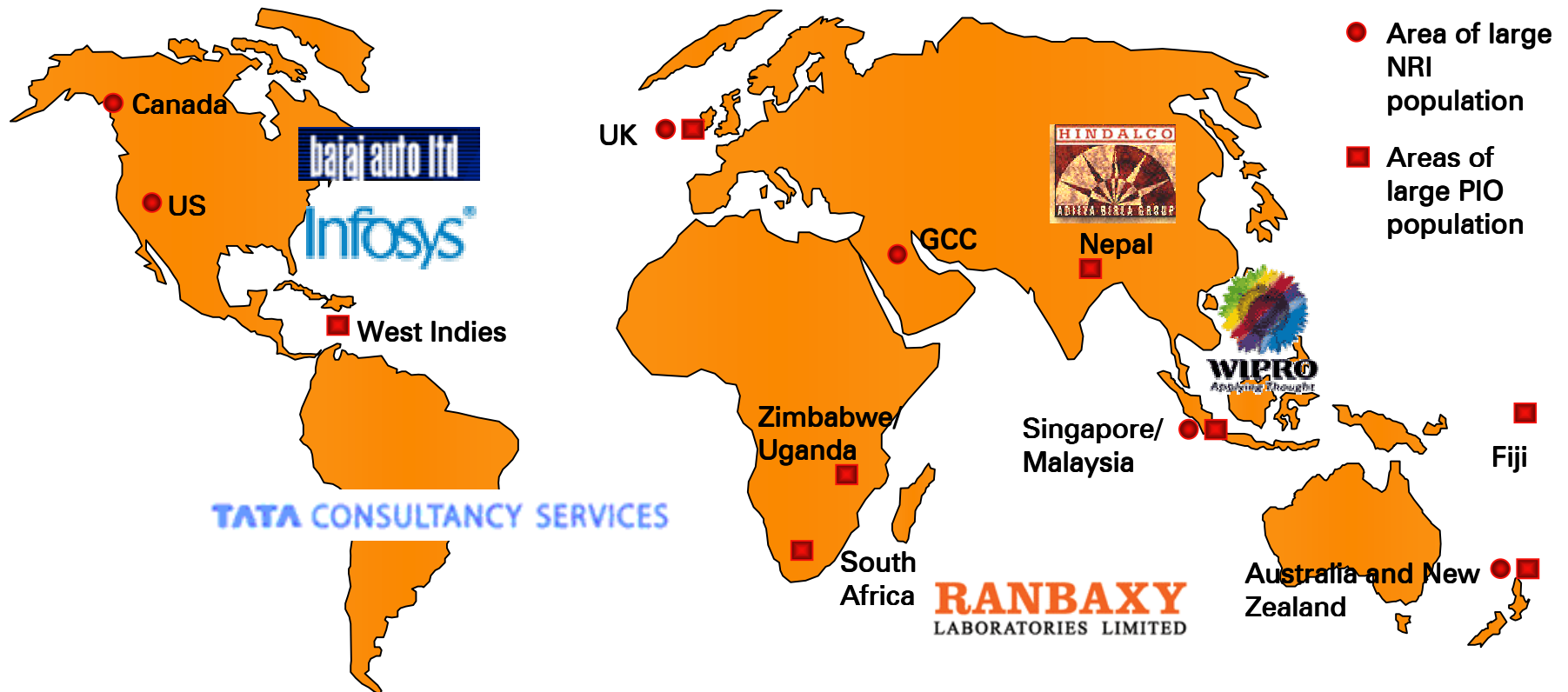
- Profitable, low-risk fire & engineering segment about 66% of portfolio

Financial performance

- Underwriting profit of Rs. 36.4 million (US\$ 0.8 mn) in 9M-2004
- PAT of Rs. 159.2 million (US\$ 3 mn) in 9M-2004



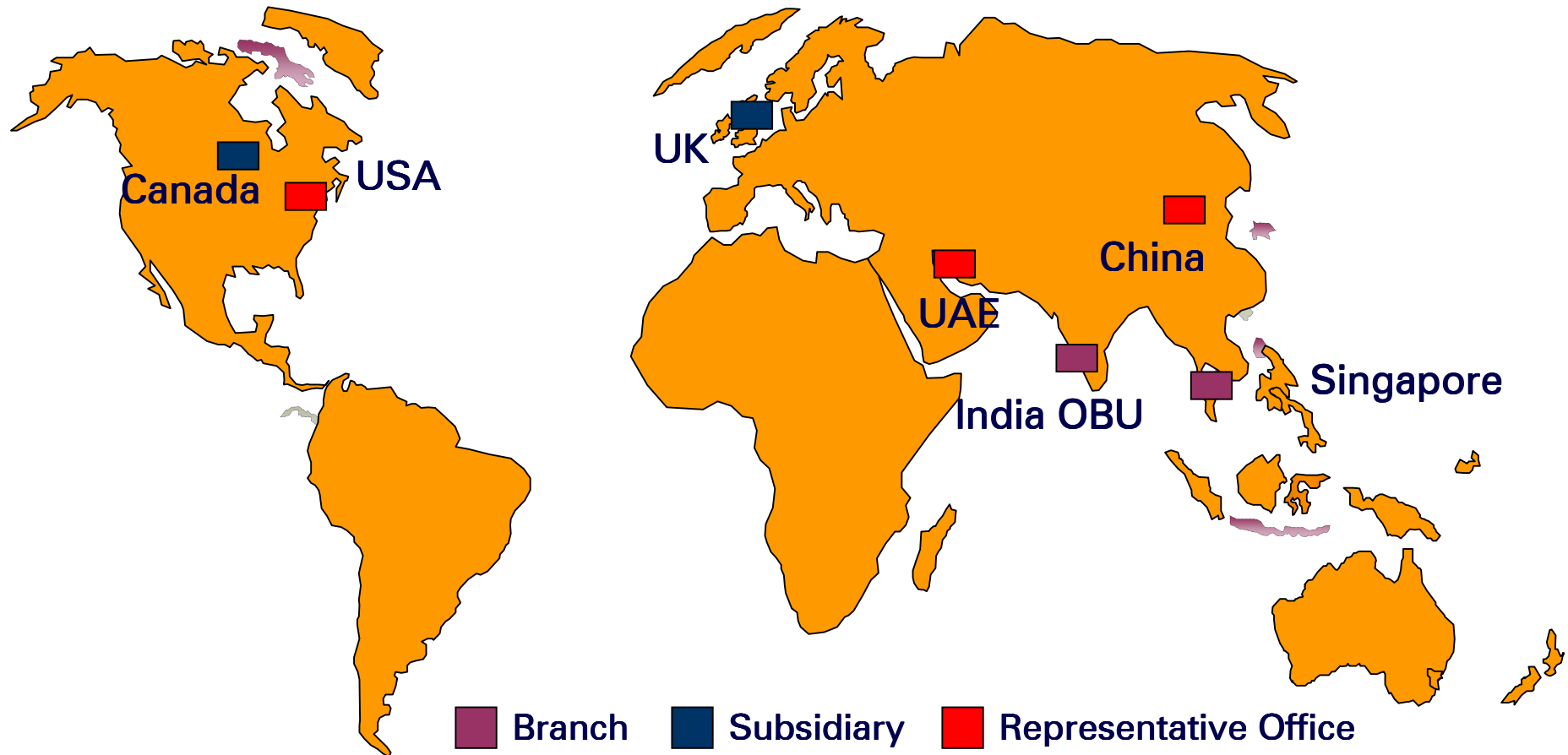
International opportunity



- Vast Indian diaspora - US\$ 10 bn annual remittances
- Emergence of Indian multinationals



Our international initiative



- To enter Bahrain and Bangladesh shortly
- Rolled out 8 geographies in 2 years



Building international alliances

Singapore	Alliance with DBS for remittances
UK	Linked accounts with Lloyds Bank
US	Alliance with Wells Fargo for remittances
Canada	Alliance with Bank of Montreal for remittances
Middle-east	Linked accounts with Emirates Bank and Commercial Bank of Qatar



Technology leadership

- Pioneer in technology in the Indian banking sector
 - Driving and leveraging customer acceptance and usage of technology
- Technology-agnostic approach
 - Avoiding legacy traps: no mainframes
 - Wider choice: multiple vendor options
 - Higher flexibility: ease of modification, portability across platforms, lower vendor lock-in
- On open systems, the world's largest and most heavily transacted banking site

...underpinning all our operations



Transforming channel usage...

Channel	Share of transactions in March 2000	Share of transactions in December 2003
Branches	94%	30%
ATMs	3%	46%
Internet & mobile	2%	13%
Call centre	1%	11%

...scaling up to handle rapid volume growth



Growing customer base & transactions


Channel	March 2001	March 2002	December 2003
Retail customer accounts (mn)	1.9	3.0	9.8
Internet customers (mn)	0.5	1.1	5.5
ATM transactions (mn/ day)	0.1	0.2	0.5
Call centre contacts (mn/ day)	0.02	0.05	0.12



Corporate banking technology and quality focus

- Technology highlights
 - Online delivery capability for 70% of core finance functions of a corporate client
 - Customised technology integration solutions for 34% of top 100 corporates
 - Only bank offering online validation of dividend warrants
 - First bank to offer electronic solutions for statutory levies using proprietary cards and payment gateway
- Focus on quality institutionalised
 - 70% of processes at six sigma levels
 - Quick turnaround for service issues





*Annual technology expense per customer
at 5% to 10% of global banks*



Low transaction costs on online channels

	Volumes	Pricing
Remittances	<ul style="list-style-type: none">• 15% share• 100,000 trans/mth	<ul style="list-style-type: none">• 93% lower than leading international player
Online trading	<ul style="list-style-type: none">• 70% share• 90,000 orders/day	<ul style="list-style-type: none">• 95% lower than leading US brokerage
Electronic bill payment	<ul style="list-style-type: none">• ~ 80% share• 200,000 trans/mth	<ul style="list-style-type: none">• 46% lower than leading US provider



Financial highlights

	FY2003	Q1-2004	Q2-2004	Q3-2004	9M-2004
PAT (Rs. bn)	12.06	12.06	12.06	12.06	12.06
RoA (%)	1.15	1.24	1.45	1.55	1.41
RoE (%)	18.3	19.2	21.7	22.8	21.1
EPS (Rs.)	19.7	22.2	26.2	28.6	25.7
NIM (%)	1.4	1.7	1.8	1.9	1.8
Cost/ assets (%)	1.46	1.69	1.80	1.79	1.76



In summary

- The reform and liberalisation process has transformed the Indian economy
 - Structural shift with service sector growth
 - Immense potential to leverage technology and knowledge capital
 - Improved competitiveness in manufacturing after intermediate period of restructuring & rationalisation
 - Growing international linkages
 - Exports, manufacturing and distribution overseas
 - India as a manufacturing base



In summary

- ICICI Bank has
 - A domestic opportunity
 - Driven by strong economic growth and favourable demographics
 - An international opportunity
 - Driven by the global positioning of Indian companies and the Indian diaspora (about 20 million NRIs and persons of Indian origin)
 - A demonstrated platform for achieving leadership in growth areas
 - Technology a core element of strategy
 - The ability to leverage this platform to capitalise on new opportunities



Forward Looking Statements

Except for the historical information contained herein, statements in this release which contain words or phrases such as “will”, “aim”, “will likely result”, “would”, “believe”, “may”, “expect”, “will continue”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should”, “will pursue” and similar expressions or variations of such expressions may constitute “forward-looking statements”. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion, the adequacy of our allowance for credit losses, technological changes, investment income, cash flow projections, our exposure to market risks as well as other risks detailed in the reports filed by ICICI Bank Limited with the Securities and Exchange Commission of the United States. ICICI Bank Limited undertakes no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.





Thank you

