ICICI Securities

Performance Review

Q2-FY2020

October 22, 2019

Agenda

- **Our Business**
- Business Environment
- Strategy & Updates
- Business Performance
- Financial Results

ICICI Securities has built an enviable franchise…

4.6 mn	Growing customer base
Largest	Equity broker in terms of revenue
>₹800 bn	Assets under advise of our wealth clients[1] Amongst leading wealth franchises
2nd	Largest non-bank mutual fund distributor by revenue[2]
1st	Rank in the IPO by value[3]

1. Clients having assessed profile and minimum assets of 75 lacs with us (equity assets are maintained in demat with ICICI Bank)
2. Source: AMFI (MF commission) period FY2019
3. IPO: IPO, FPO, InvIT (Investment trusts), REIT period H1-2020, Source: Prime database

… and a sticky customer base over the years

High Customer Stickiness

> 65%[1]

Revenue contribution by customers who have been with us for more than 5 years

This trend is consistent and is reflected continuously for the five prior years including the recently ended FY19

1. Based on retail broking revenues

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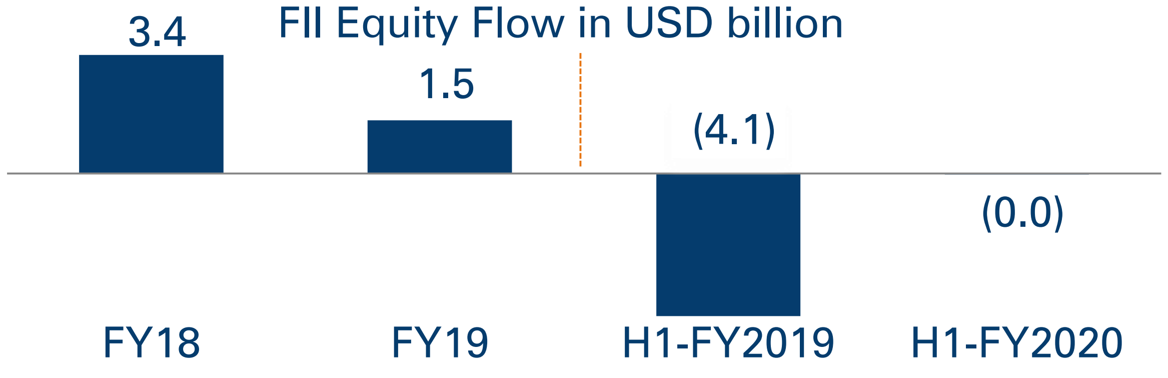
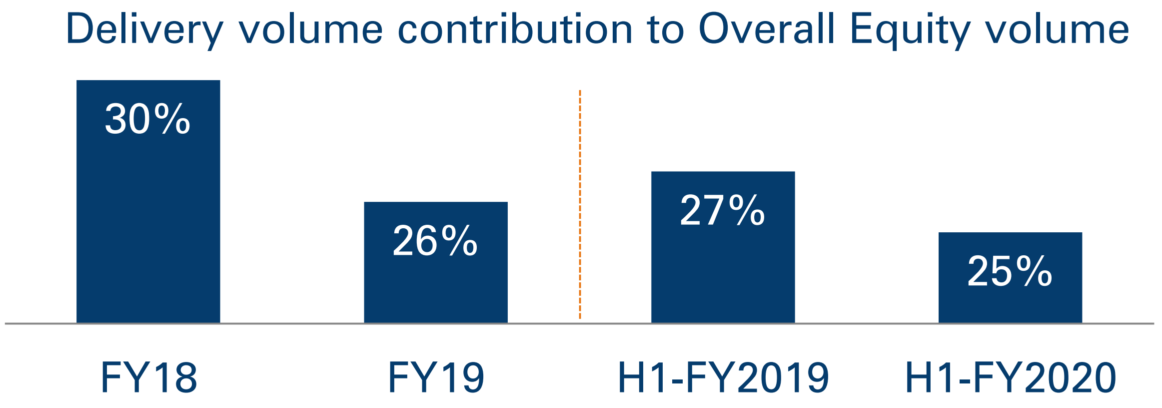
Capital market: Slow down in primary & secondary market

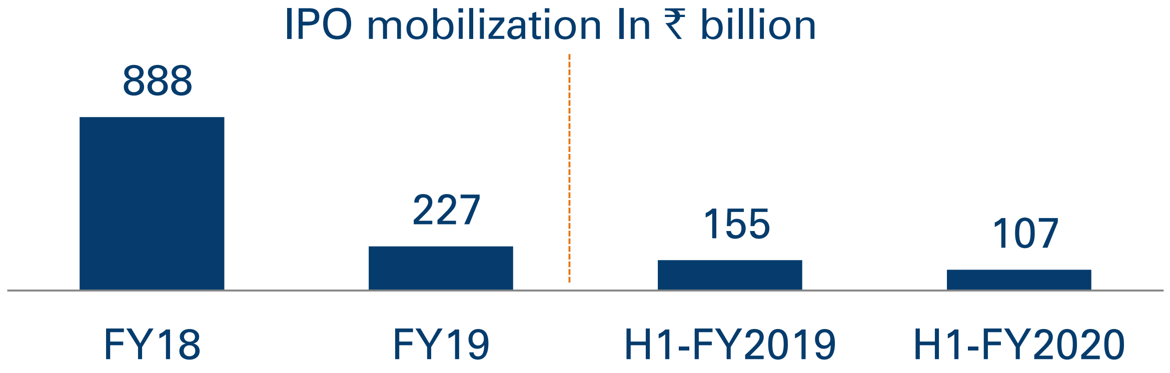
Weak FII flow



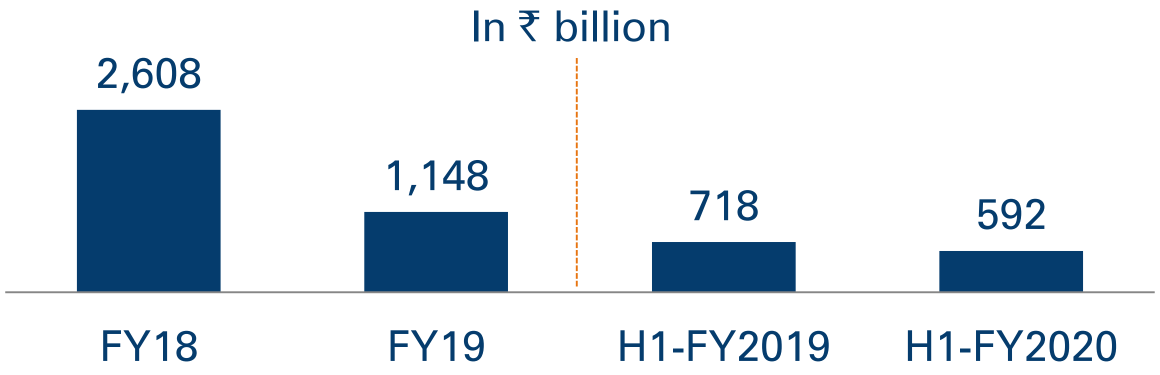
Contribution of better yielding delivery volume reducing



Subdued capital market (IPO) activity



Slow down in MF net equity flow



Source: Bloomberg, SEBI, NSE, BSE, Prime database, AMFI; IPO: IPO/FPO/InvIT/REIT, H1: April to September

Equity market volatile with sharp downward bias

Nifty Midcap Index

Down by 21% and 13% from April-18 and April-19 peak respectively

Nifty Small cap Index

Down by 33% and 18% from April-18 and April-19 peak respectively

Source: NSE

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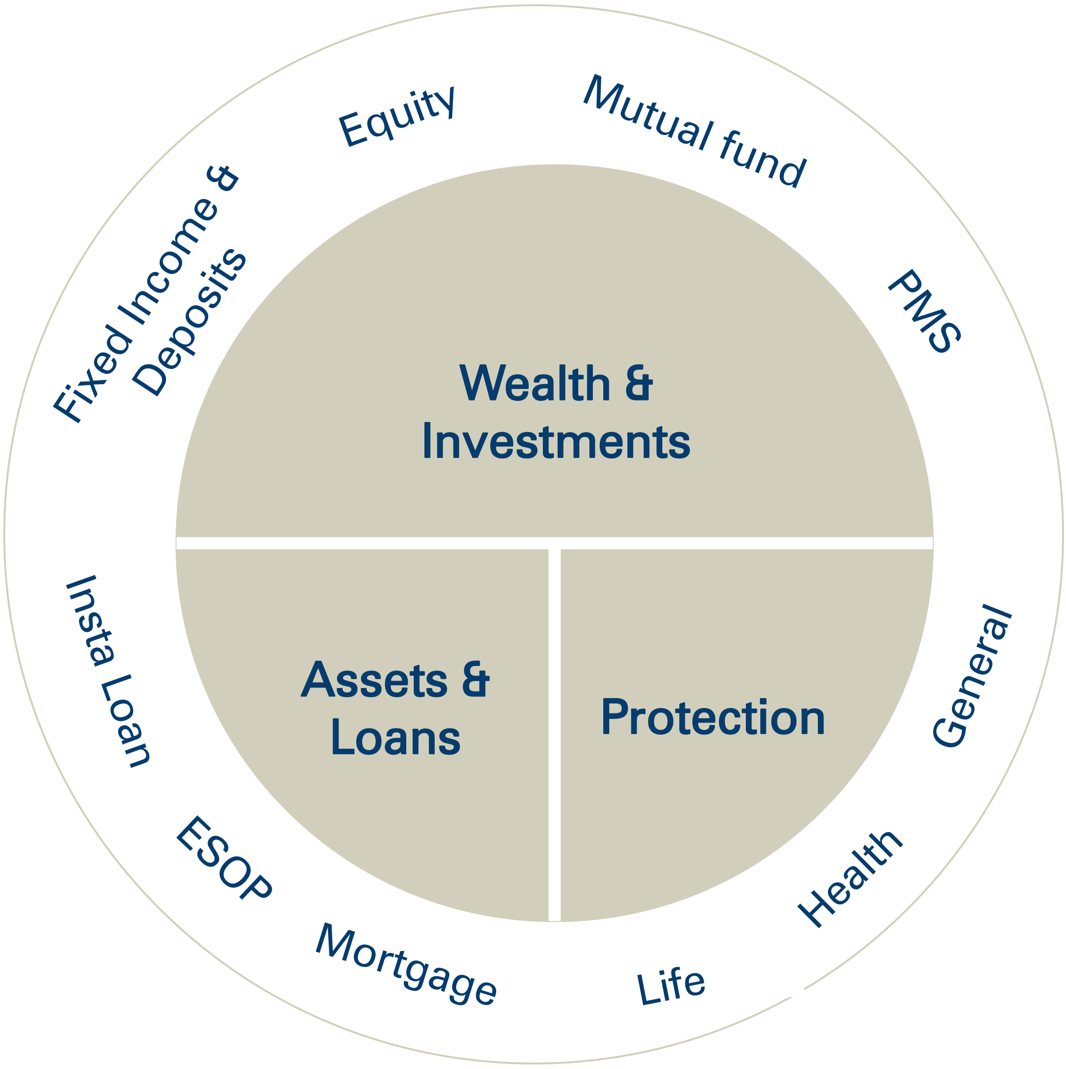
Working towards broadening the positioning

Imperatives:

- Broad basing business model
- Diverse and granular revenue streams



To be seen as comprehensive financial solutions provider for the affluent Indian - Powered digitally

Strategy: Strengthening the core and building the future

A. Ramping up **scale** and **value** by augmenting and aligning growth engines

B. Monetize client value

C. Improving customer experience

D. Robust technology and digital agility

E. Operating leverage through cost efficiency

A. Ramping-up scale & value by augmenting & aligning growth engines

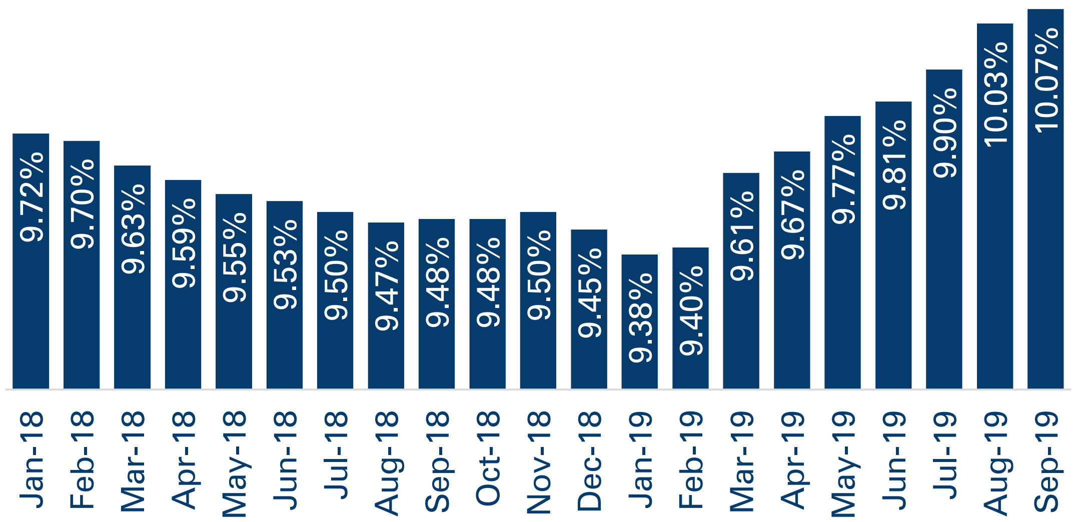
Bank win-win partnership	Digital on-boarding	Business partners
• **Natural alignment:** New revenue sharing agreement • **Sourcing focus:** Targeting affluent and equity affinity client segments • **Enlarge focus:** NRI	• Re-engineer entire on-boarding process	• Digitally offer B2B2C proposition to scale business partners: • On-boarding of partner • On-boarding of clients by the partner • Client management and platform support
Better customer quality and higher activation	Modernise and scale-up	Broad base growth

Progress: Improvement in active client share

Ramping scale & value

- **Quality of Sourcing**
  - New arrangement with ICICI Bank
    - Activation rate[1] up from 33% to 46% for client sourced by bank
    - Number of active NCA up by 22%
  - Launched subscription based plan
    - Over 1.6 lac subscriptions as at end Q2-FY2020
  - NRI
    - Started sharing digital leads with UAE & Bahrain, making onboarding process smoother for customer
  - Business partners
    - Network at 8,000+ in Q2-FY2020, up by 29%
- **Digital Sourcing**
  - Improvement in daily run rate of accounts opened completely online
  - Tab based instant account opening; monthly run rate of ~ 9,500

Market share[2] in active client base (NSE) at 21 month high

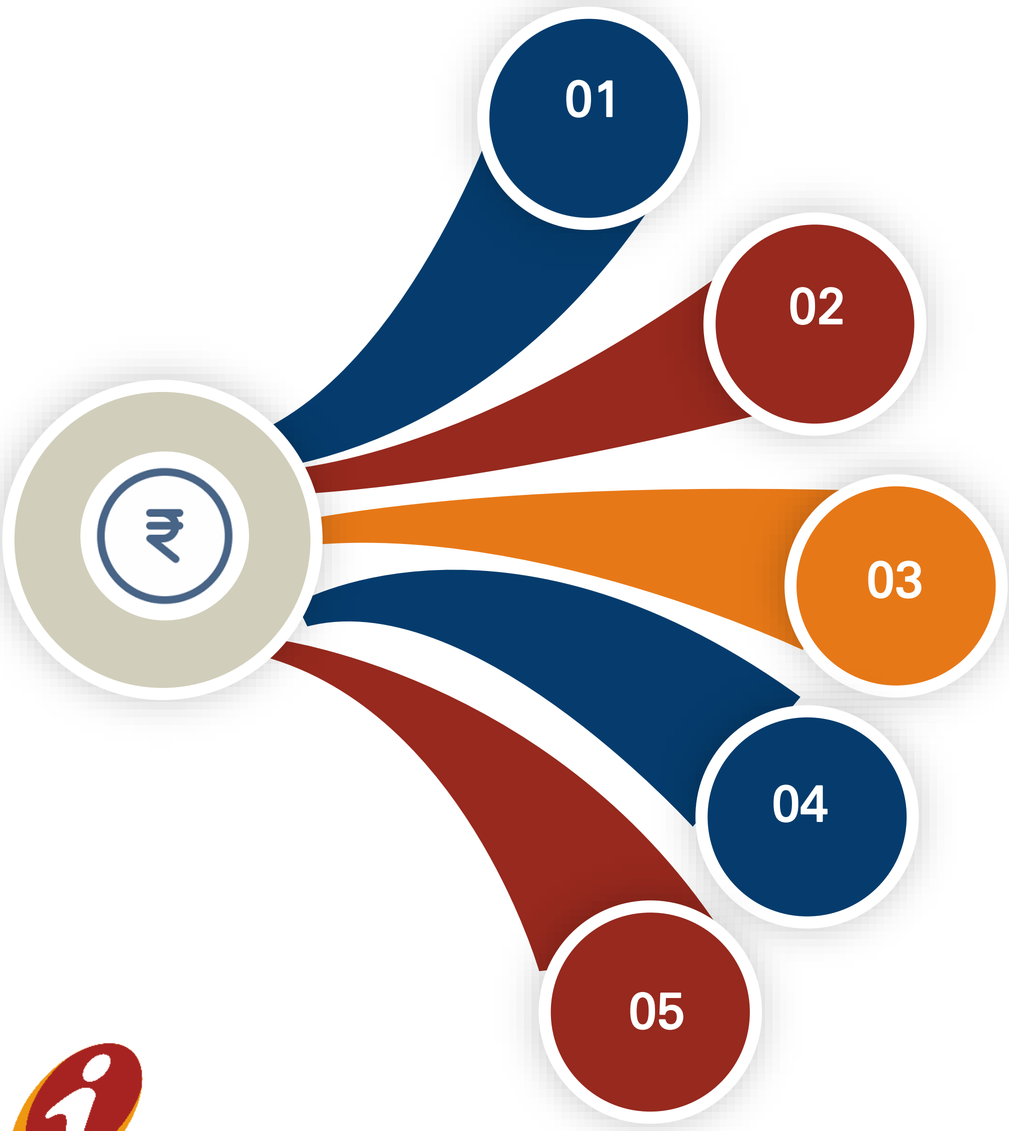


- 9.1 lac NSE active clients[2]
- Consistently adding active clients for last 8 months
- Equity blended market share up by 90bps from 7.8% in Q2-FY2019 to 8.7% in Q2-FY2020

1. % of New client acquisition (NCA) who traded within 90 days of account getting opened.
2. Trailing 12 month; Source: NSE

Period: Q2-FY2020 vs Q2-FY2019, QoQ: Q2-FY2020 vs Q1-FY2020

B. Monetize client value



Insta digital loans as a new asset class

Digital lending to eligible customers for personal, auto loan, home loan top-up, credit card, LAS and deposits

Digital Insurance

Ramping up distribution of insurance digitally

- Health, Travel, Auto, Two wheeler and Term

Enhancing product choice and product options

Margin trading facility

MTF extended on NSE

ESOP funding

Leveraging ESOP funding to build high quality client sourcing and enhancing revenue stream

Strengthening wealth management franchise

Comprehensive proposition for wealth clients including curated proprietary offering

Progress: Enhancing completely digital product suite

Monetising client value

- **Launched digital distribution of loans**
  - 0.9 million unique clients for pre approved loans based on bank's credit criteria
  - Digital personal loans and credit cards and auto loan top up launched
- **Tie ups with insurance companies to digitally distribute insurance products**
  - Tie ups with Religare health and Star health
    - Launched full suite of Health Insurance products with Religare Health in the stand alone health category
- **Margin trading facility extended on NSE on September 27, 2019**
- **ESOP funding: Ramping up book size**
- **Proprietary PMS for HNI clients: Growing AUM**

C. Enhancing engagement for client retention & penetration

Traditional approach	Client engagement	New approach
Self directed	Relationship mgmt.	Digital based advisory supplemented by voice RM
Pay per use	Onboarding clients	Subscription based
Individual stock based recommendation	Research connect	One click investment in recommended bundle of stocks
Self developed limited tools	Trading strategies	Augmenting using fintech tools
Investment only	Scope	Investment, protection, loans & deposits

Progress: Curated engagement solutions

Enhancing engagement for client retention & penetration

- **AI based tool for identifying next best action and next best product/service**
  - Pilot campaign initiated across 3 equity and 2 non-equity product/service
- **Low touch engagement model**
  - License from IRDAI for Distance Marketing obtained on August 21, 2019
  - Working on a pilot to offer low touch engagement model for insurance
- **Launched One Click Investments on August 3, 2019**
  - 19 curated baskets of research recommended Mutual Funds
  - Easy, convenient and automated portfolio allocation into basket of Mutual Funds
- **Liquidity proposition 'eATM' extended on NSE on June 7, 2019**
- **New pricing plan for derivative product launched on September 25, 2019**
  - New brokerage plan in options being piloted
  - Initial response encouraging

D. Robust technology and digital agility

Robust technology strength

Secure, stable and fast system
- Reliable
- Avg. response time of 24 ms
- Peak concurrent users ~ 48k

Established framework for managing customer privacy & information security

3-tier recovery system and strong business continuity processes

+

Digital agility

Open architecture & partnership
- Use API architecture to onboard fintech partners
- Partner with fintech to offer customer centric solutions

Increasing use of data analytics
- Infuse new talent
- Infuse new technologies

Improved user experience
- New interface website
- New mobile app

Progress: Fintech partnership based digital capabilities

Digital agility

- **API architecture launched in September 2019**
- **Fintech partnership based digital capabilities**
  - Digital Team to scan the environment for identifying new technologies and opportunities
    - Projects evaluated: 56, Projects moved to UAT: 1, Projects POC/Launched: 1, Project under integration process: 1
  - Launched
    - AI based tool to increase customer engagement
  - Under Implementation
    - Trading strategy formulation tool for derivatives
    - Comparison tool for insurance
- **Upgrading client engagement platform**
  - Launched new website, currently in beta version
  - Reengineering our mobile app including new UI/UX

E. Operating leverage through cost efficiency

Re-evaluate branch infrastructure cost based on productivity, area efficiency and rentals

Centralization of certain vertical to optimise infrastructure and manpower cost

Process re-engineering to optimize acquisition related cost

Harnessing synergies within teams and business groups to optimize manpower

Migrating to digital/low touch coverage models

Strong focus on inculcating cost culture to enable identification and enhance cost efficiency on an on-going basis

Progress: Rationalising cost structures

Operating leverage through cost efficiency

- **Overall cost down by 7%**
  - Employee cost down by 7%
- **Head count down by 8%**
- **Branch count down from 202 to 187**

Period: Q2-FY2020 vs Q2-FY2019

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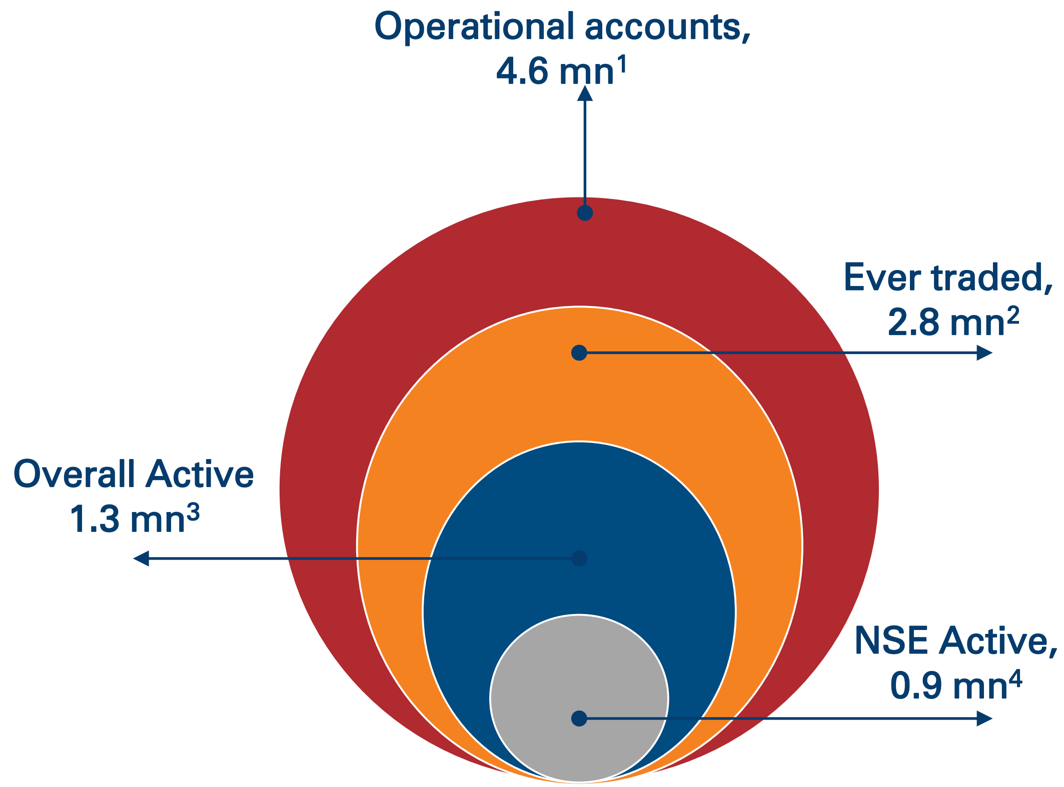
Business Performance

Growing client base and engagement

- **4.6 million strong base of operational accounts; up by 9% YoY**
- **13.3 lac overall active clients, increased by 5% YoY**
- **9.1 lac NSE active clients, increased by 7% YoY**



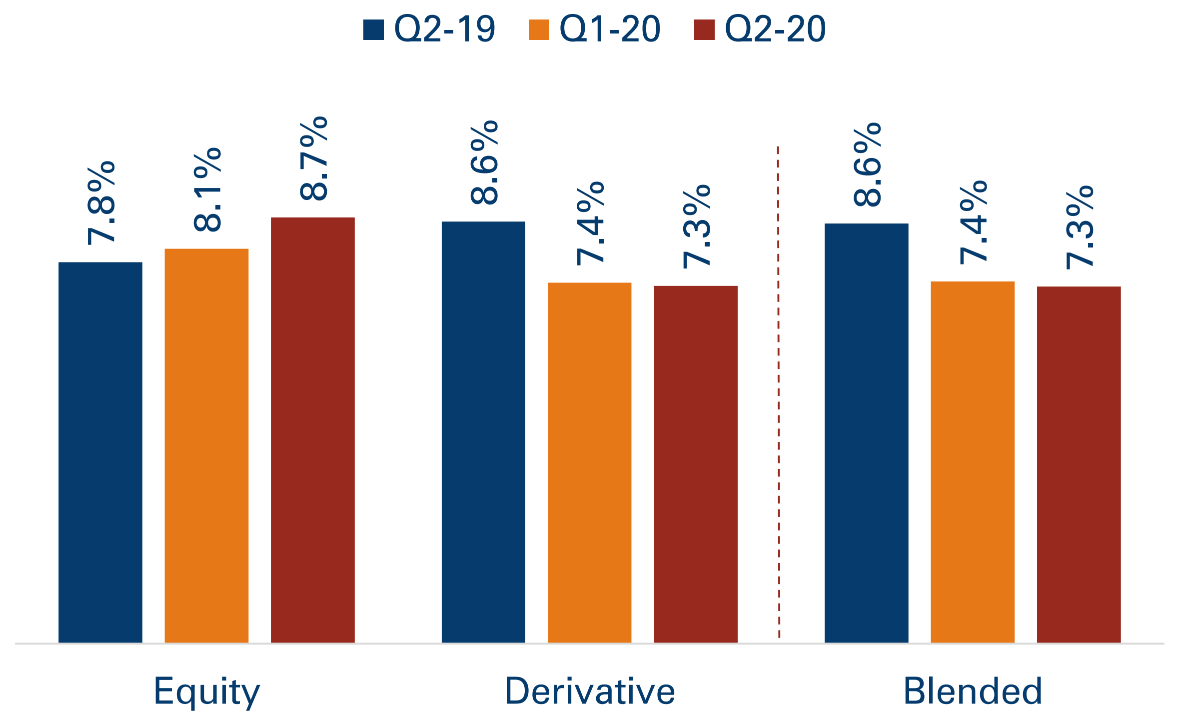
1. Operational accounts is the total client base with the company
2. Ever traded are the clients who have transacted at least once on our platform
3. Overall active clients are the clients who have transacted at least once during trailing 12 months across all product categories
4. NSE active client base are the clients who have traded at least once during trailing 12 months

Business Performance

Equity market share growth encouraging

- **Equity market share up at 8.7% from 7.8%**
- **Blended broking market share at 7.3%**
  - Driven by decline in derivative market share
- **Derivative share at 7.3%**
  - Decline mainly due to higher proportion of market institutional volumes in option trading

Broking Market Share



Period: Q2-FY2020 vs Q2-FY2019, Source: NSE, BSE

Business Performance

Focus on increasing volumes + allied equity products to drive growth

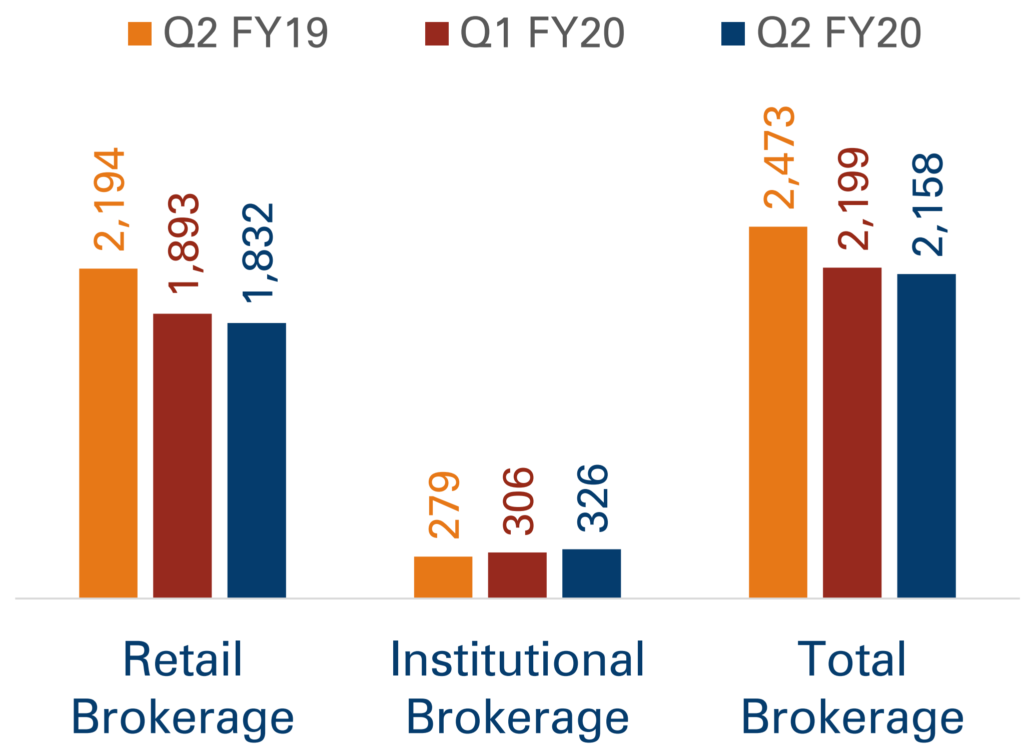
Retail broking down by 16% due to
- Decline in delivery volumes, being an industry trend
- Lower yields on account of adoption of Prime

Plan to offset by
- Increasing active clients
  - Better quality of acquisition; Prime, Bank arrangement
  - Scaling up channels of acquisition; Multi-channel and open source model
- Increasing allied equity revenue streams
  - Prime subscription fees, ESOP, MTF

Institutional broking revenue up by 17%
- Supported by strong traction in block deals

Overall broking revenue down by 13%

Brokerage (₹ million)



Period: Q2-FY2020 vs Q2-FY2019, QoQ: Q2-FY2020 vs Q1-FY2020

Business Performance

Distribution business

Enhanced focus on non MF distribution

- Fixed income and deposits
- Life Insurance distribution
- Others

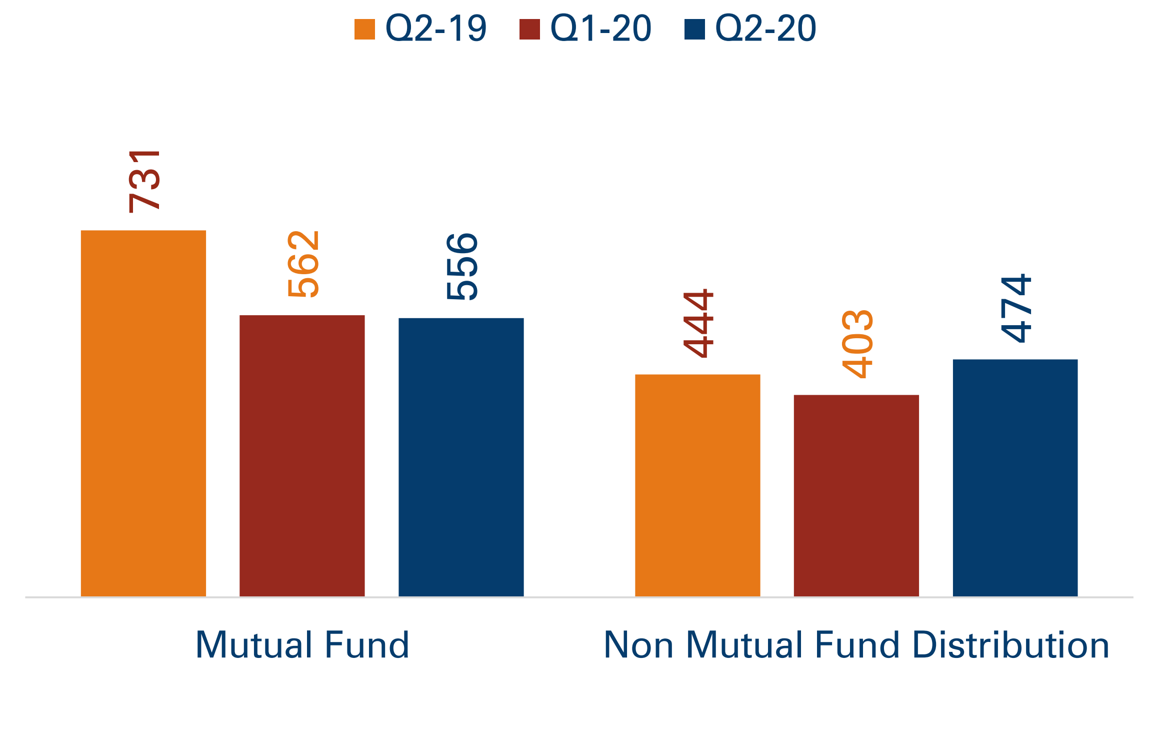
Non MF distribution[1] revenue up by ~7%

Endeavour to grow Mutual Fund revenues

- Mutual Fund average AUM up by 2%
- SIP count[2] for Q2 FY2020 is 0.66 million
- MF revenue down 24% in line with anticipated TER impact, almost flat sequentially

Overall distribution revenue was at ₹1,062 million down by 17%, sequential growth of 8%

Distribution revenue (₹ million)



1. Group of products which are being focused on to grow overall distribution revenue and include PMS, AIF, NPS, General insurance, Bonds, Deposits etc. and exclude income such as marketing fees and paid educational programs

2: SIP Count: Triggered as on last month of period; Source: AMFI

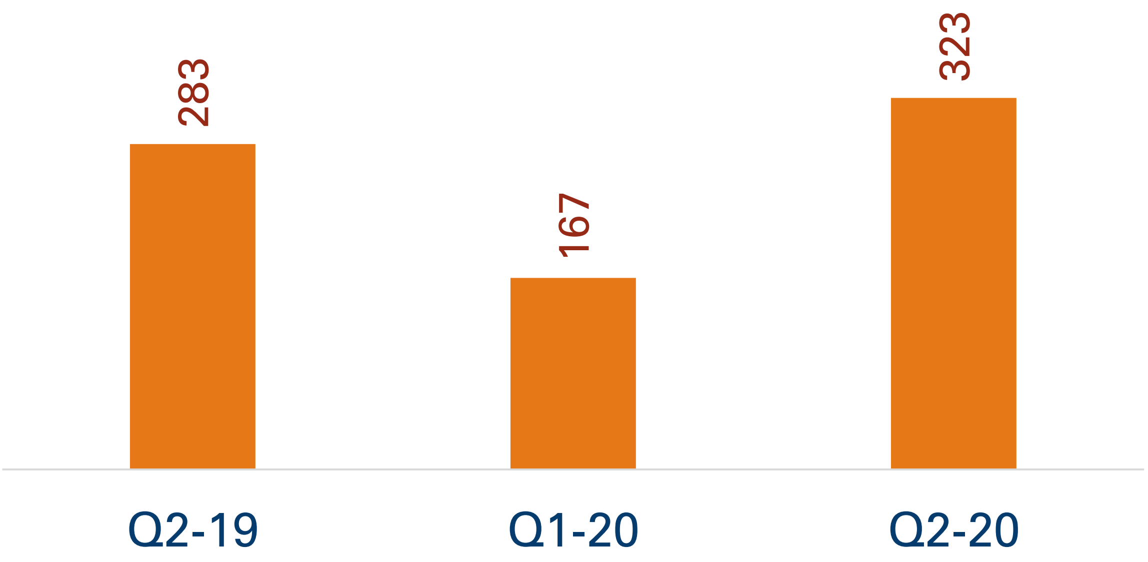
Period: Q2-FY2020 vs Q2-FY2019, Sequential (QoQ): Q2-FY2020 vs Q1-FY2019

Business Performance

IPO pipeline, ~7 deals amounting over ₹ 57 bn

- Ranked 1st in IPO[1] league table by value
- Rank 1st amongst domestic financial advisors by number of deals in merger market table
- Corporate finance revenue increased by 14%, up 93% sequentially (QoQ)
- 11 Investment Banking deals including 4 advisory deals

Corporate Finance Revenue (₹ million)



1. IPO:IPO/FPO/InvIT/REIT

Source: Prime Database, Merger market , SEBI
Period: Q2-FY2020 vs Q2-FY2019; Sequential QoQ: Q2-FY2020 vs Q1-FY2020

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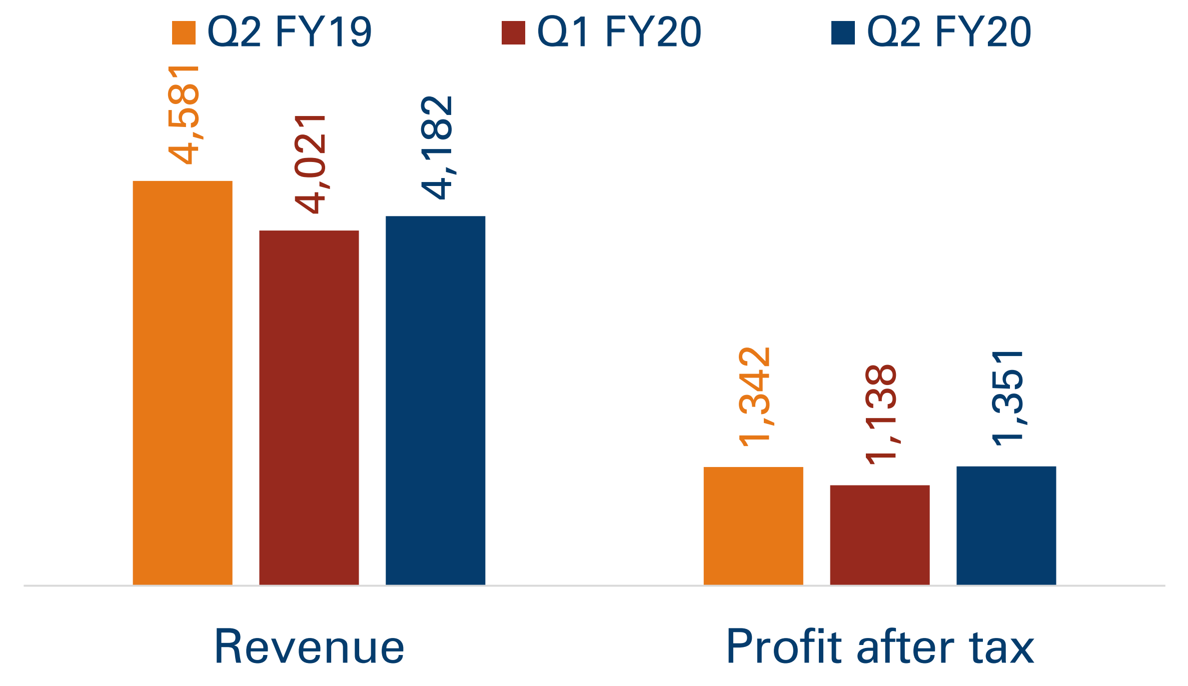
Financial Results

Revenue and Profit after Tax

- **9% decline in consolidated revenue due to**
  - Decline in retail broking by 16%
  - Anticipated reduction due to TER in Mutual Funds

  Sequential (QoQ) growth of 4%
- **Overall cost down by 7%**
  - Employee cost down by 7%
- **PBT down by 11%, however Consolidated PAT increased by 1%**
  - Sequential (QoQ) increase in PAT of 19% aided by corporate tax cut

Revenue and PAT (₹ million)



Period: Q2-FY2020 vs Q2-FY2019; QoQ: Q2-FY2020 vs Q1-FY2020

Consolidated P&L

(₹ million)

Particulars	Q2-FY19	H1-FY19	Q1-FY20	Q2-FY20	H1-FY20	Y-o-Y%
Revenue	**4,581**	**8,940**	**4,021**	**4,182**	**8,203**	**(9)%**
Operating Expenses	340	592	245	244	489	(28)%
Employee benefits expenses	1,435	2,802	1,274	1,339	2,613	(7)%
Finance Cost[1]	108	239	178	179	357	66%
Other expenses[1]	621	1,204	564	579	1,143	(7)%
Total expenses	**2,504**	**4,837**	**2,261**	**2,341**	**4,602**	**(7)%**
Profit before tax	**2,077**	**4,103**	**1,760**	**1,841**	**3,601**	**(11)%**
Tax[2]	735	1,423	622	490	1,112	(33)%
Profit after tax	**1,342**	**2,680**	**1,138**	**1,351**	**2,489**	**1%**
Other Comprehensive Income (OCI)	-	(16)	(35)	(16)	(52)	-
Total Comprehensive Income (TCI)	**1,342**	**2,664**	**1,103**	**1,335**	**2,437**	**(1)%**

1. Impact of Ind AS116 in Q1-FY2020 & Q2-FY2020 respectively: finance cost & depreciation increase by ₹ 156 mn , ₹ 141 mn; lease expense reduce by ₹ 128 mn and ₹ 119 mn; having a net impact of ₹ 28 mn and 22 mn
2. Impact of change in income tax rate including impact on account of revaluation of deferred tax asset given in Q2-FY2020

Includes MTM of ₹ 108 mn & 36 mn taken in Q1-FY2020 and Q2-FY2020 respectively on DHFL

Y-o-Y: Q2-FY2020 vs Q2-FY2019

Segment performance

(₹ million)

Particulars	Q2-FY19	H1-FY19	Q1-FY20	Q2-FY20	H1-FY20	Y-o-Y%
Segment Revenue						
Broking & commission	4,241	8,209	3,637	3,810	7,448	(10)%
Advisory services[1]	283	605	167	323	489	14%
Investment & trading	57	126	69	49	118	(14)%
Income from operations[2]	**4,581**	**8,940**	**4,021**	**4,182**	**8,203**	**(9)%**

Particulars	Q2-FY19	H1-FY19	Q1-FY20	Q2-FY20	H1-FY20	Y-o-Y%
Segment Profit before tax						
Broking & commission	1,904	3704	1,647	1,672	3,318	(12)%
Advisory services	144	315	16	175	191	22%
Investment & trading	29	84	(51)	(6)	(56)	
Total Result	**2,077**	**4,103**	**1,760**	**1,841**	**3,601**	**(11)%**

1. Advisory services includes Financial advisory services such as equity-debt issue management services, merger and acquisition advice and other related activities
2. Amount of ₹ 207 mn and ₹ 148 mn pertaining to interest on income tax refund is not allocated to any segment and is included in total revenues and results of FY2019 and Q1-FY2020 respectively

Y-o-Y: Q2-FY2020 vs Q2-FY2019

Balance sheet : Assets

(₹ million)

ASSETS	At Sep 30, 2018	At Mar 31, 2019	At Sep 30, 2019
Financial assets (A)	**25,538**	**43,697**	**31,030**
Cash/Bank and cash equivalents	16,823	31,486[1]	15,322
Derivative financial instruments and Securities for trade	700	2,563	5,642
Receivables	2,013	4,770	2,457
Loans	5,022	4,033	6,797
Investments	37	28	27
Other financial assets	943	817	785
Non-financial assets (B)	**2,694**	**2,949**	**4,986**
Deferred tax assets (net)	647	737	571[2]
Right-of-use assets[3]	-	-	1,662
Fixed assets, CWIP & Intangible assets	454	476	517
Current tax assets & other non financial assets	1,593	1,736	2,236
Assets (A+B)	**28,232**	**46,646**	**36,016**

1. Settlement obligation pertaining to an offer for sale of ₹ 17,362 mn was pending for payment as on March 31, 2019
2. Re-measured deferred tax assets at new income tax rate
3. Lease assets capitalised as per Ind AS 116, which came into effect on April 1, 2019, are being reported as Right of use assets

Balance sheet : Equity and Liabilities

(₹ million)

EQUITY AND LIABILITIES	At Sep 30, 2018	At March 31, 2019	At Sep 30, 2019
Financial liabilities (A)	**13,285**	**30,182**	**19,892**
Derivative financial instruments	3	17	-
Payables	6,091	23,362[1]	5,650
Debt securities	5,204	4,473	10,143
Lease liabilities[2]	-	-	1,654
Deposits & Other financial liabilities	1,987	2,330	2,445
Non-financial liabilities (B)	**5,288**	**5,991**	**5,366**
Equity (C)	**9,659**	**10,473**	**10,758**
Equity share capital	1,611	1,611	1,611
Other equity	8,048	8,862	9,147
Equity and Liabilities (A+B+C)	**28,232**	**46,646**	**36,016**

1. Settlement obligation pertaining to an offer for sale of ₹ 17,362 mn was pending for payment as at March 31, 2019
2. Lease liabilities are being capitalised in financial liabilities as per Ind AS116 applicable from April 1, 2019

Safe harbor

Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', ‘would’, ‘indicating’, ‘expected to’, etc., 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, opportunities and growth potential to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to, the actual growth in demand for broking and other financial products and services in the countries that we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our use of the Internet and other technology, our growth and expansion in domestic and overseas markets, technological changes, our ability to market new products, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions we are or become a party to, the future impact of new accounting standards, our ability to implement our dividend policy, the impact of changes in broking regulations and other regulatory changes in India and other jurisdictions as well as other risk detailed in the reports filed by ICICI Bank Limited, our holding company with United States Securities and Exchange Commission . ICICI Bank and ICICI Securities Limited undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

This release does not constitute an offer of securities.

For investor queries please email at IR@icicisecurities.com

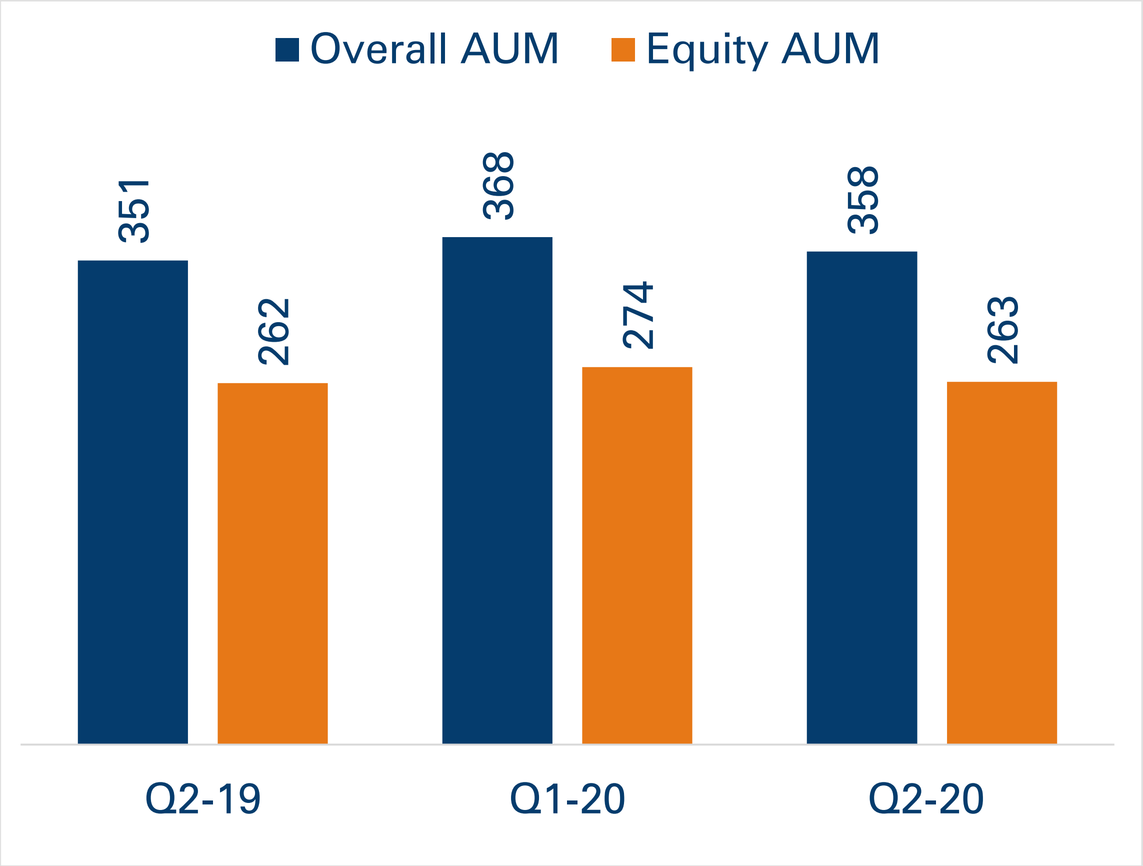
1 billion/million = 100 crore / 10 Lacs

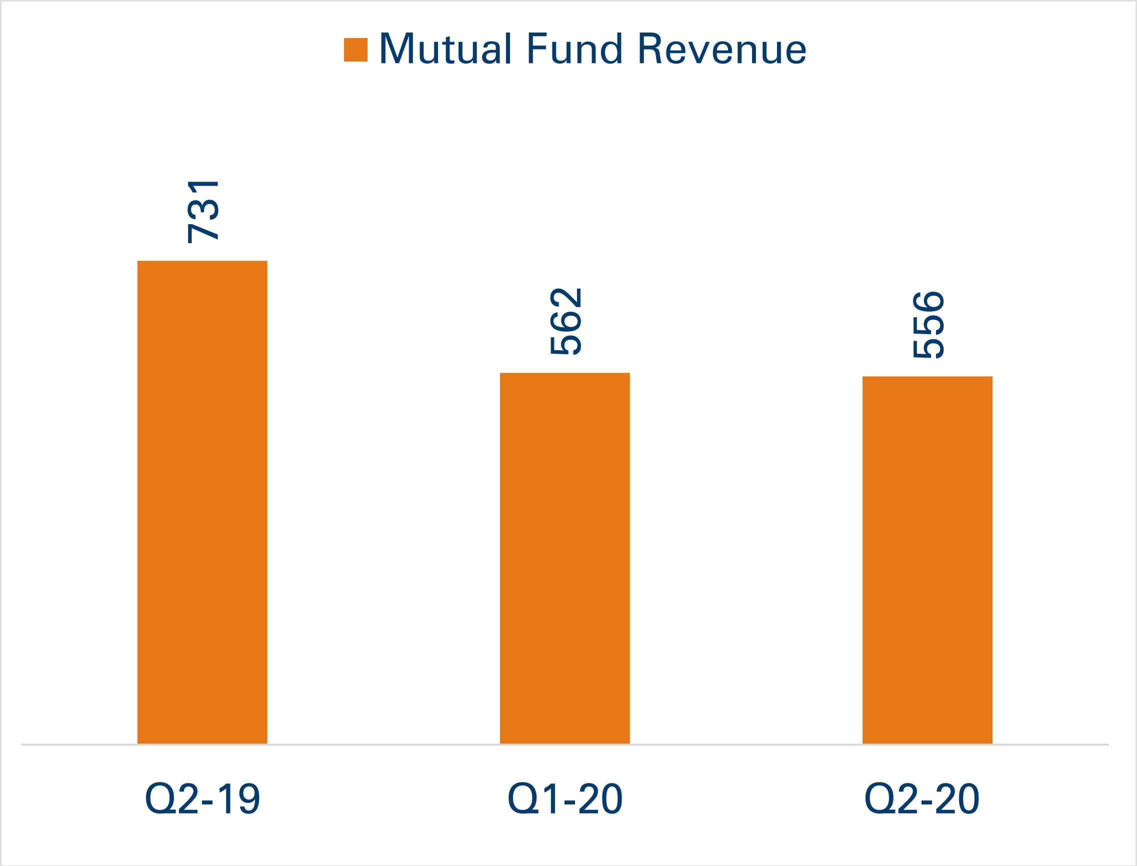
Thank you

Appendix

Appendix

Mutual fund average AUM (₹ billion) and Revenue (₹ million)





Appendix

Life Insurance Premium and Revenue (₹ million)