ICICI Bank Limited
ICICI Bank Towers
Bandra-Kurla Complex
Bandra (E) Mumbai-400051.

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For Immediate Release

Retail loans to double to Rs. 96 trillion in 5 years, says an ICICI Bank – CRISIL report

- **Housing and unsecured loans to lead growth**
- **Retail lending to grow faster in smaller towns**
- **Rapid growth in digital lending to lower opex and boost profitability**

Mumbai: Retail loan book of financiers in India **will double to Rs. 96 trillion by March 2024,** compared with Rs. 48 trillion in March 2019, according to an ICICI Bank report powered by CRISIL. The report predicts that this rapid growth will take place in the next five years on the back of increased demand for private consumption (namely home, car, consumer durables, credit cards etc), willingness of consumers to take loans, increased availability of various consumer data, improved usage of data analytics and regulatory initiatives propelling growth in low cost housing loans and MSME (Micro, Small & Medium Enterprises) loans.

Called, 'Mining the Golden Opportunity in Retail Loans', the report also reveals in-depth insights into growth drivers of each retail asset class and outlines the major economic, regulatory and technological interventions that will drive the expansion of the retail loans market.

According to the key highlights of the report, which was launched in Mumbai at the Bank's headquarters on December 17, the main segment contributors for the growth are as follows:

- Mortgage loans market—normal & low cost housing and loan against property—is expected to double to Rs. 46.1 trillion in FY24
- Unsecured loans -- personal loans and credit cards—to more than double to Rs. 13.8 trillion in FY24
- Loans to MSMEs are likely to more than double to Rs. 13.2 trillion
- Vehicles—commercial vehicle, four and two-wheeler—loans are tipped to nearly double to Rs. 17.5 trillion

Mr. Anup Bagchi, Executive Director, ICICI Bank says, "India's GDP per capita in terms of purchasing power parity (PPP) is now USD 7762. Our analysis predicts that this junction will prove to be an inflection point for the country, as it was with another large economy a few years ago. We foresee that in the next five years, the domestic retail loans market is poised to double to Rs. 96 trillion.

We think that five pillars that are going to support expansion of the market are: (1) greater information availability progressively reducing the risk in lending (2) lower costs for customers due to intensifying competition (3) regulatory and government initiatives (such as the proposed public credit registry, loan co-origination by banks and non-banking financial

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companies, boost to affordable housing and ironing out of glitches in lending to MSMEs) (4) five-fold increase in digital lending to Rs. 15 trillion, wherein loans are sourced, underwritten and sanctioned digitally, lowering costs for financiers, and (5) reduction in operating costs due to greater usage of technology and data analytics which will, in turn, boost profitability."

Adds Mr. Amish Mehta, Chief Operating Officer and President, CRISIL, "Growth is expected to be higher in smaller cities outside the top 50 cities. We expect players with a strong funding franchise, distribution heft, superior underwriting skills, strong focus on technology and balanced mix of secured and unsecured loans to be ahead of the pack in the retail loans sweepstakes. The top five players are foreseen continuing their dominance of the market, across asset classes. For example, in housing loans, despite the market having over 100 players, the top five players alone have a cumulative market share of over 50%."

The ICICI Bank report powered by CRISIL further elaborates on the other growth drivers that would provide a further fillip to orderly development of the market and growth. These are:

- Enhancing focus on digitisation of ownership of land records and providing access to the same to financial institutions with requisite consent,
- Greater thrust on digital payments,
- Developing industry-wide standards on key aspects such as innovation hub & environment, data security, customer privacy, consumer protection and loan pricing

Given all these as well as the positive shift towards higher-yield unsecured lending, systemic profitability is expected to remain steady, the report adds.
Further, new private banks are also expected to gain market share from their public sector peers. Additionally, the entry of new types of players is likely in the market targeting specific segments, in line with global trends, according to the report.

The report is based on interviews with 200 experts from the retail loans industry, ICICI Bank's deep understanding of the consumer finance category, CRISIL's proprietary economic projection models, publicly available company disclosures, annual reports, industry data from RBI, SLBC, SIAM and global reports on other economies.

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For media queries, write to: corporate.communications@icicibank.com, CorporateCommunications@crisil.com

About ICICI Bank: ICICI Bank Ltd (BSE: ICICIBANK, NSE: ICICIBANK and NYSE:IBN) is a leading private sector bank in India. The Bank's consolidated total assets stood at ₹12,88,190 crore at September 30, 2019. ICICI Bank's subsidiaries include India's leading private sector insurance, asset management and securities brokerage companies, and among the country's largest private equity firms. It is present across 15 countries, including India.

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About CRISIL Research: CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

Addendum:

Retail loan trends in terms of volumes:

- Large upsurge of nearly 108 million retail loan accounts is estimated to be added annually for next five years.

- Currently, it is estimated that on an average 60 million retail loans accounts are added annually in the country

- Loan accounts for consumer durables, two-wheelers, personal loans and credit cards to contribute maximum to volumes (in sequential order) that will be added annually. Together, they will add an estimated 96 million accounts annually.

- Of the above, around 53 million loans is projected to be disbursed annually for consumer durables itself.

- Further, on an average, an additional 4.5 million housing units are likely to be funded annually for next five years.

- Nearly six million units of commercial vehicle and four wheelers are also tipped to fund each year.

Additionally, **digital lending set to grow five times to Rs. 15 trillion with a CAGR of 41%.** To represent 16% of the retail lending market in FY’24”.