



Leadership in Indian life insurance

September 2015

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 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, our growth and expansion in business, the impact of any acquisitions, technological implementation and changes, the actual growth in demand for insurance products and services, investment income, cash flow projections, our exposure to market risks, policies and actions of regulatory authorities; impact of competition; experience with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of changes in capital , solvency or accounting standards , tax and other legislations and regulations in the jurisdictions as well as other risks detailed in the reports filed by ICICI Bank Limited, our holding company, with the United States Securities and Exchange Commission. ICICI Bank and we undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

Safe harbor

The Indian Embedded Value relating to the Company has been prepared by the Company, has not been reviewed or audited by an independent actuary, has not been subjected to any audit procedures and may not conform to the review standards as set out in Actuarial Standards in India. The judgments, estimates and assumptions herein are regularly evaluated and represent best estimates based on the management's experience and knowledge of the relevant facts and circumstances. While the management believes such judgments, estimates and assumptions to be reasonable, actual results reflected inter alia in the audited embedded value statements of the Company could differ from those contained herein.

Agenda

Industry overview

Industry outlook

Company strategy and performance

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Evolution of life insurance industry in India

	FY2002		FY2010		FY2015
Number of players	12		23		24
New business premium ¹ (Rs bn)	116	→ 21.5%	550	→ -5.8%	408
Total premium (Rs bn)	501	→ 23.2%	2,655	→ 4.3%	3,277
Penetration (as a % to GDP)	2.1%		4.1%		2.6%
Assets under management (Rs bn)	2,304	→ 24.0%	12,899	→ 12.7%	23,442
In-force sum assured ² (Rs bn)	11,812*	→ 15.5%	37,505	→ 16.0%	78,786
In-force sum assured (as % to GDP)	50.1%		57.9%		62.8%

1. Retail weighted premium

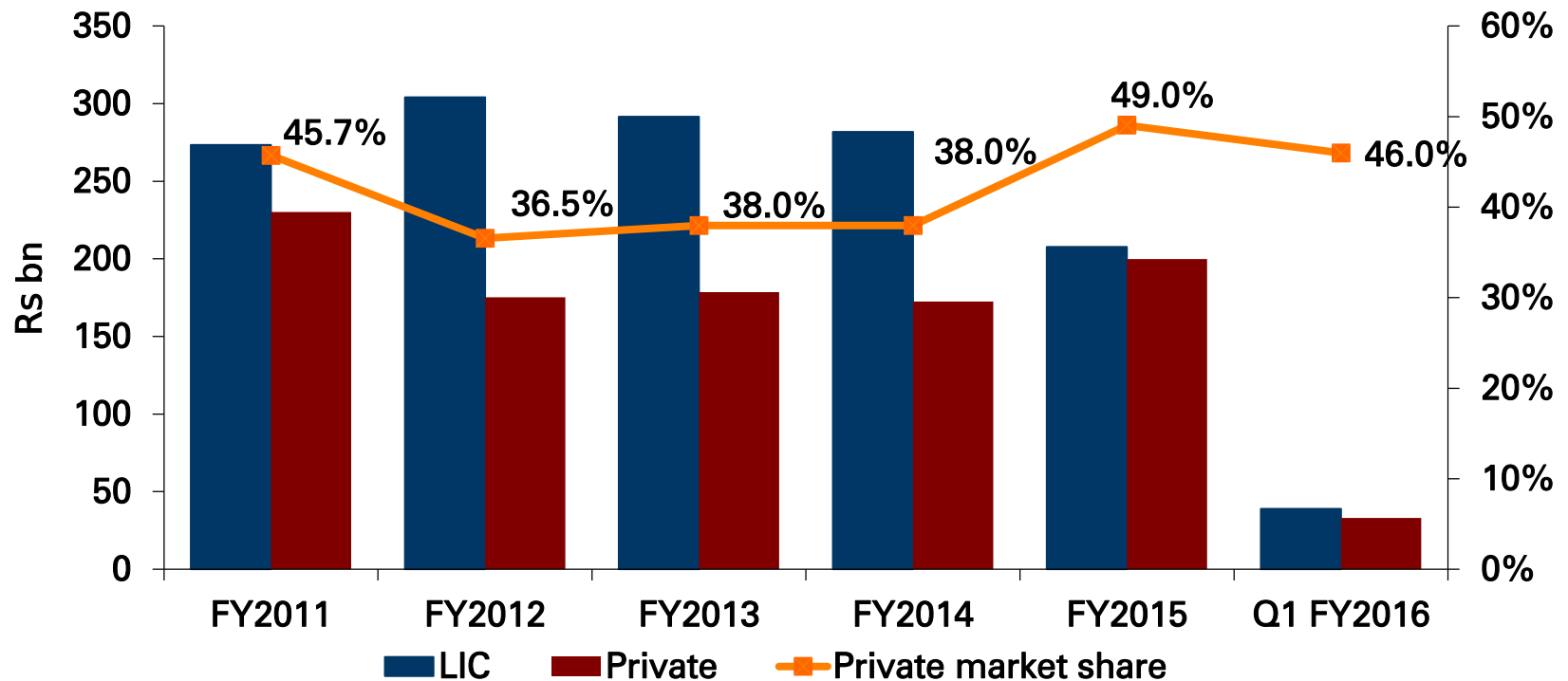
06 2. Individual and Group in-force sum assured

Source: IRDAI, CSO, Life insurance council

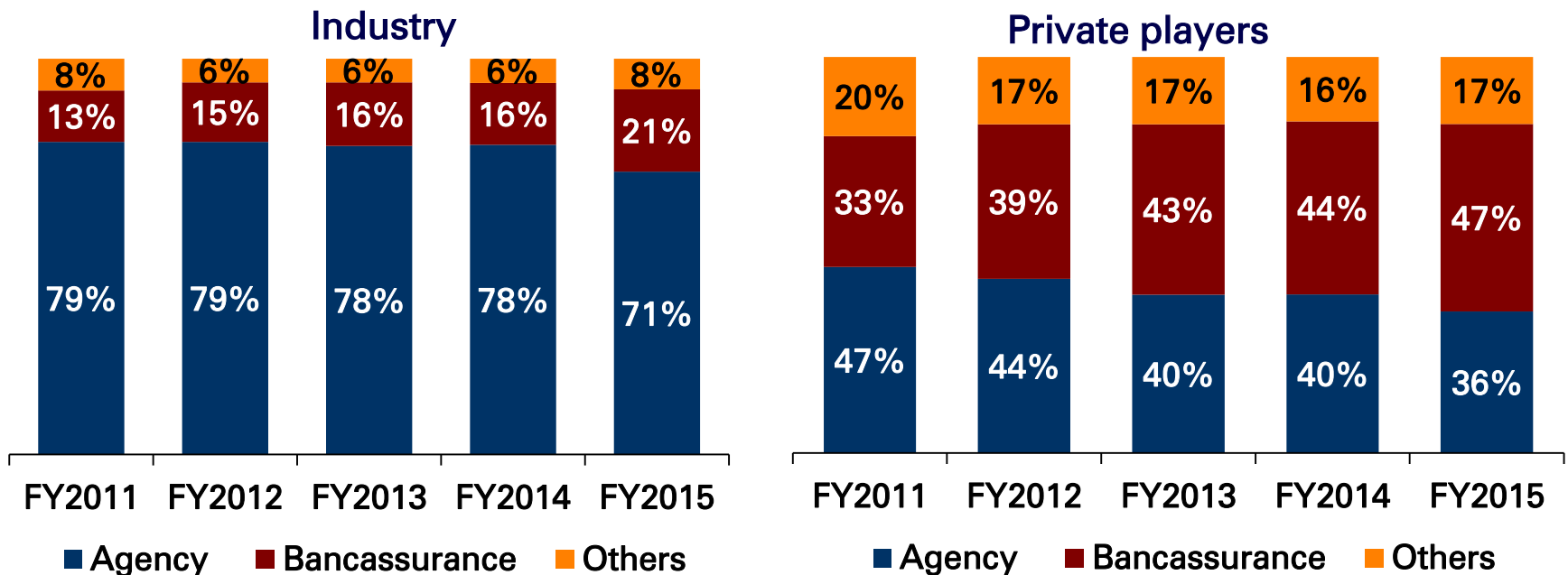
* Company estimate

New business¹: Private players showing strong growth

Growth	FY2012	FY2013	FY2014	FY2015	Q1FY2016
Private	-23.9%	1.9%	-3.4%	15.9%	14.2%
LIC	11.2%	-4.1%	-3.4%	-26.3%	-11.9%
Industry	-4.8%	-1.9%	-3.4%	-10.3%	-1.5%

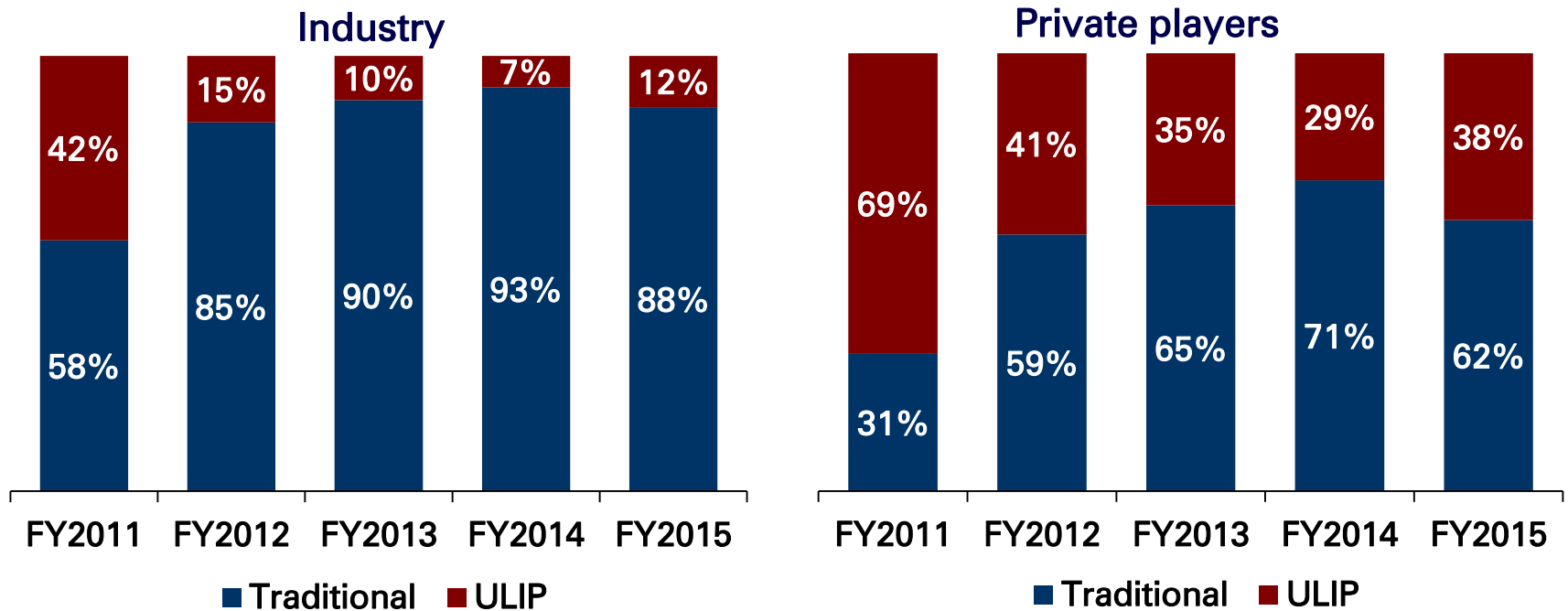


Bancassurance dominant channel for private players



- Given a well developed banking sector and nationwide presence of banks, bancassurance has gained strategic importance and has become largest channel for private players
- LIC still remains focused on the agency channel which contributes over 95% of Individual new business sales

Increase in share of ULIPs for private players



- **Strong value proposition of ULIPs**

- Transparent and low charges
- Lower discontinuance charges upto year 5 and zero surrender penalty after 5 years
- Choice of asset allocation to match risk appetite of different customer

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Industry overview

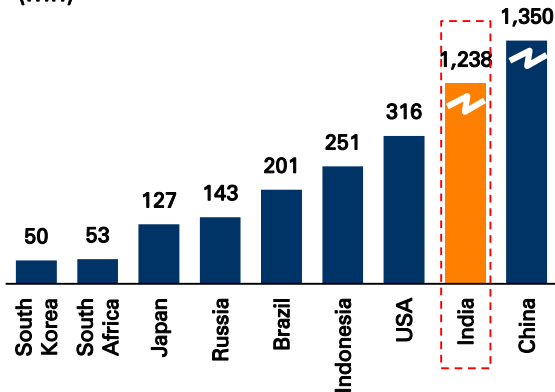
Industry outlook

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Favourable demography to drive macro growth

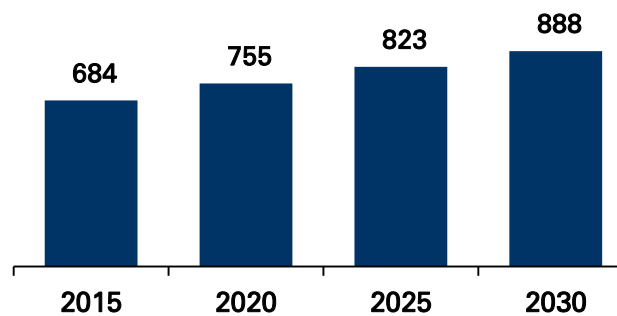
Large and Growing Population Base¹

2013 Population (mn)



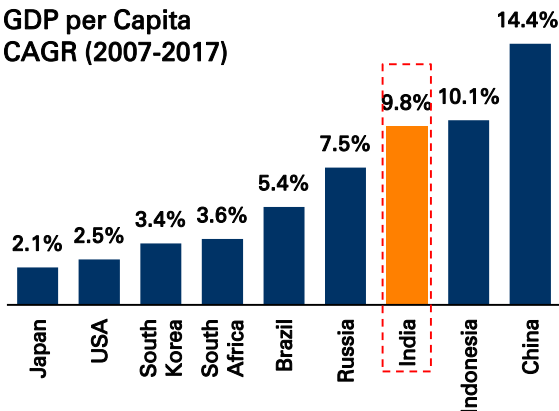
High Share of Working Population²

Population of age > 25 years (in mn)

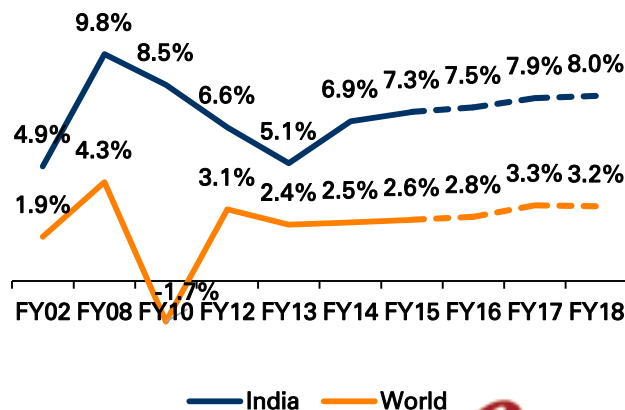


Rising Affluence¹

GDP per Capita CAGR (2007-2017)



Driving GDP Growth³



- Indian economy poised to head towards sustained growth fuelled by favourable demographics, rising middle class and high savings rate
- Total premium written by the insurance industry has outpaced the GDP growth rate over the period of FY2002-FY2015

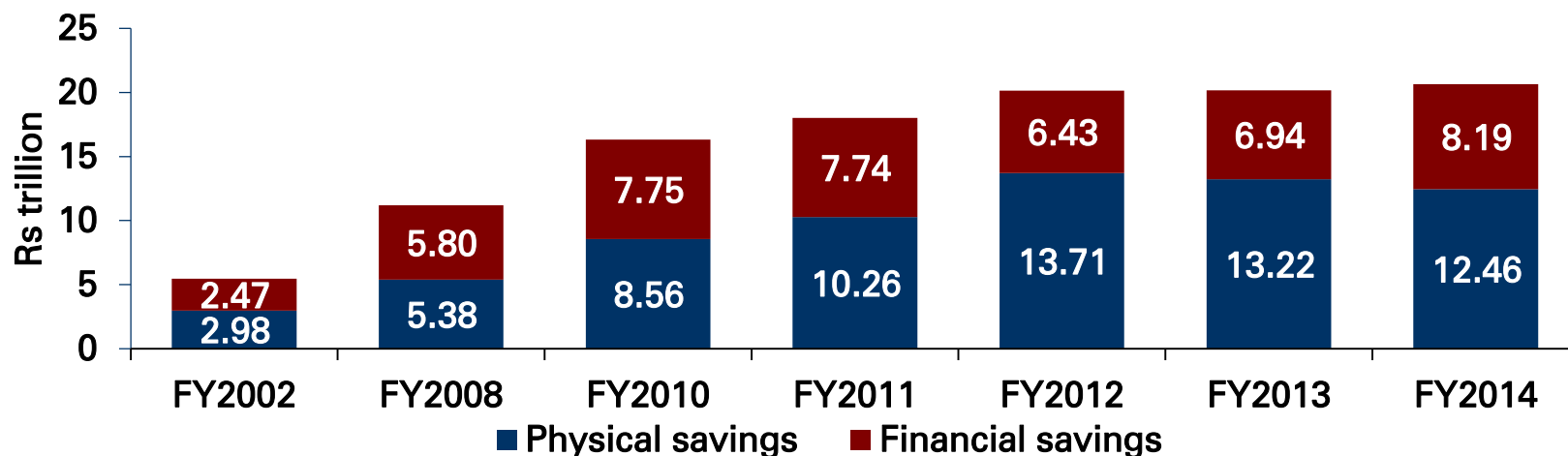
1. Source: EIU

2. Source: UN population division 2013 release

3. Source: World bank database

Financial savings headed toward a rebound

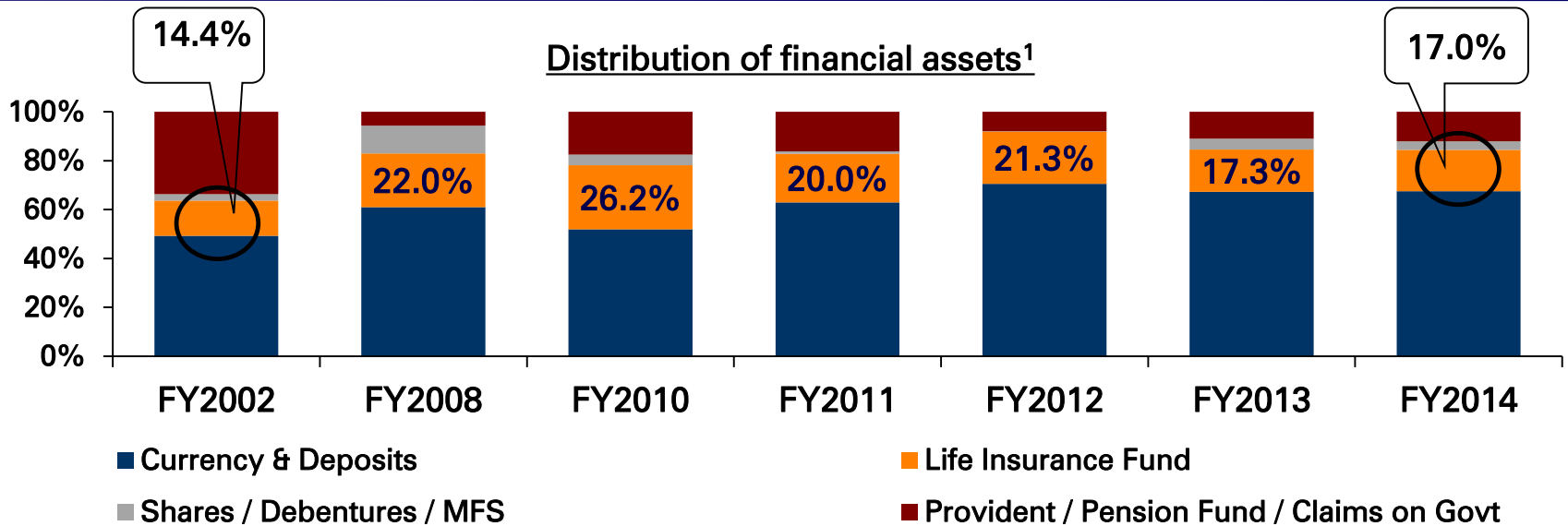
Financial year	2002	2008	2010	2011	2012	2013	2014
Financial savings / GDP	10.5%	11.6%	12.0%	9.9%	7.3%	7.0%	7.2%
Household savings / GDP	23.2%	22.4%	25.2%	23.1%	22.8%	20.2%	18.2%



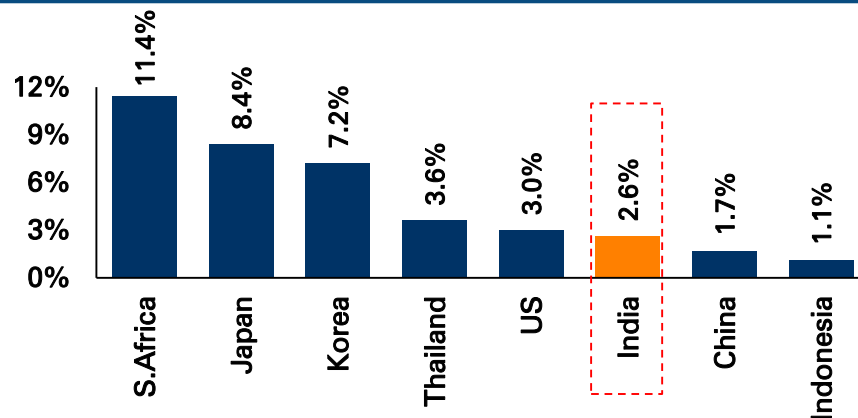
- India has a high savings rate of 30%¹
- Part of physical savings shifting to financial savings

1. Gross savings / Gross national disposable income for FY2014
Source: CSO

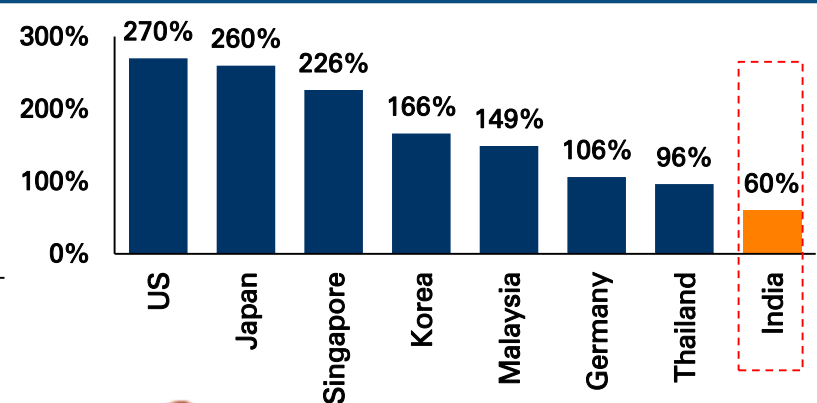
Share of insurance in financial savings expected to rise



Penetration (Premium / GDP)²



Sum Assured as % of GDP³



1. Source: Reserve Bank of India
 2. Source: Swiss Re - World insurance in 2014
 3. Source: McKinsey analysis 2013; Internal analysis

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Company snapshot

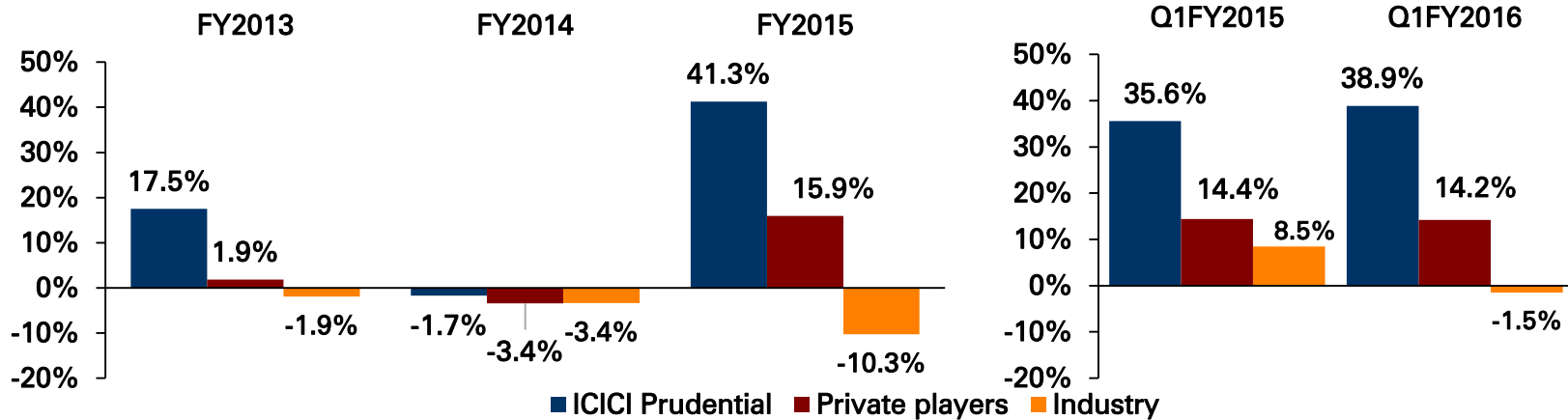
- Joint venture between ICICI Bank Ltd. and Prudential PLC with a shareholding of 74% and 26% respectively
- Started operations in December 2000
- Distribution network¹
 - 4,050 parent ICICI Bank branches, 547 ICICI Prudential Life Insurance branches
 - 100 branches of Standard Chartered Bank (SCB)
 - 132,463 agents
- Capital base of Rs 48.17 bn²
- Strong team of 12,000+ employees²
- Diverse product portfolio catering to varied customer needs: protection, pension and long term savings

Strategy: Market leadership + Profitable growth

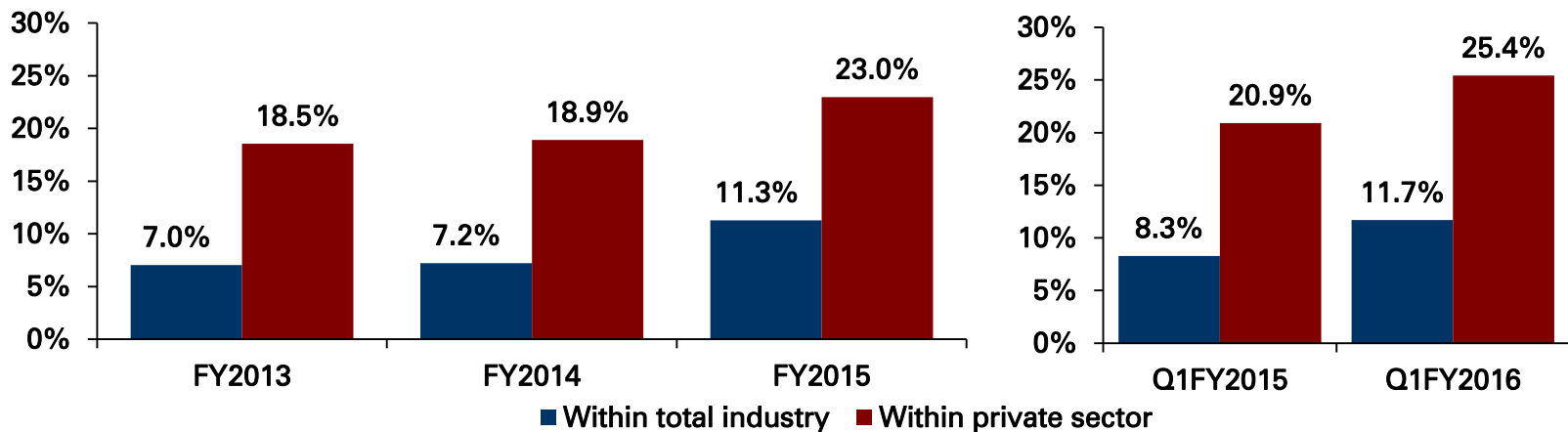
Customer centricity	Distribution	Sustainability
<ul style="list-style-type: none">● Superior value to customers through better products● Superior risk adjusted fund performance● Smooth on-boarding and service experience	<ul style="list-style-type: none">● Multi-channel approach● Micro market strategies leading to Geographic leadership● Digital platform to expand distribution capacity and improve productivity	<ul style="list-style-type: none">● Improve cost efficiency● Better persistency and surrender control● Robust risk management and control process

Consistently outperforming industry growth

Consistently outperforming industry growth¹



Gaining market share¹



Consistent leadership¹

	FY2002	FY2006	FY2010	FY2013	FY2014	FY2015	Q1FY2016
1							
2							
3							
4							
5							
6							

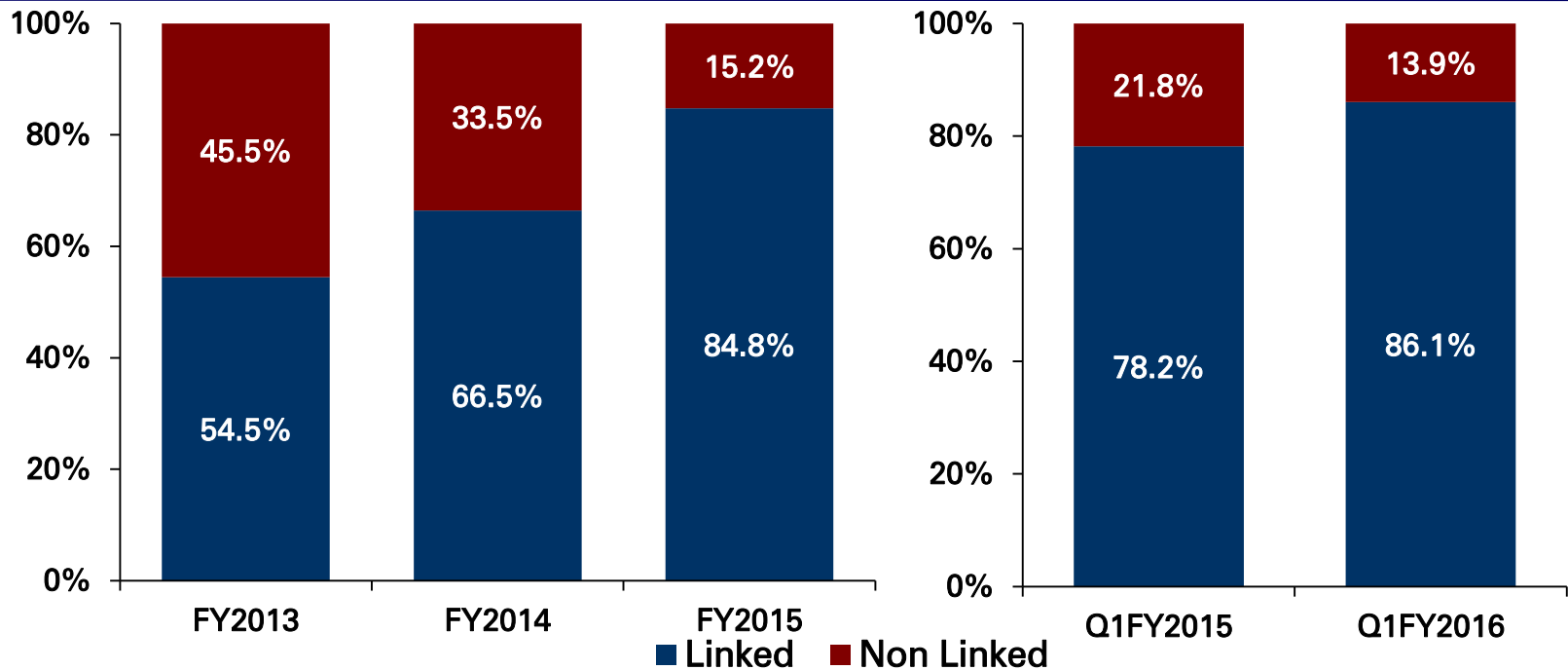
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Product strategy

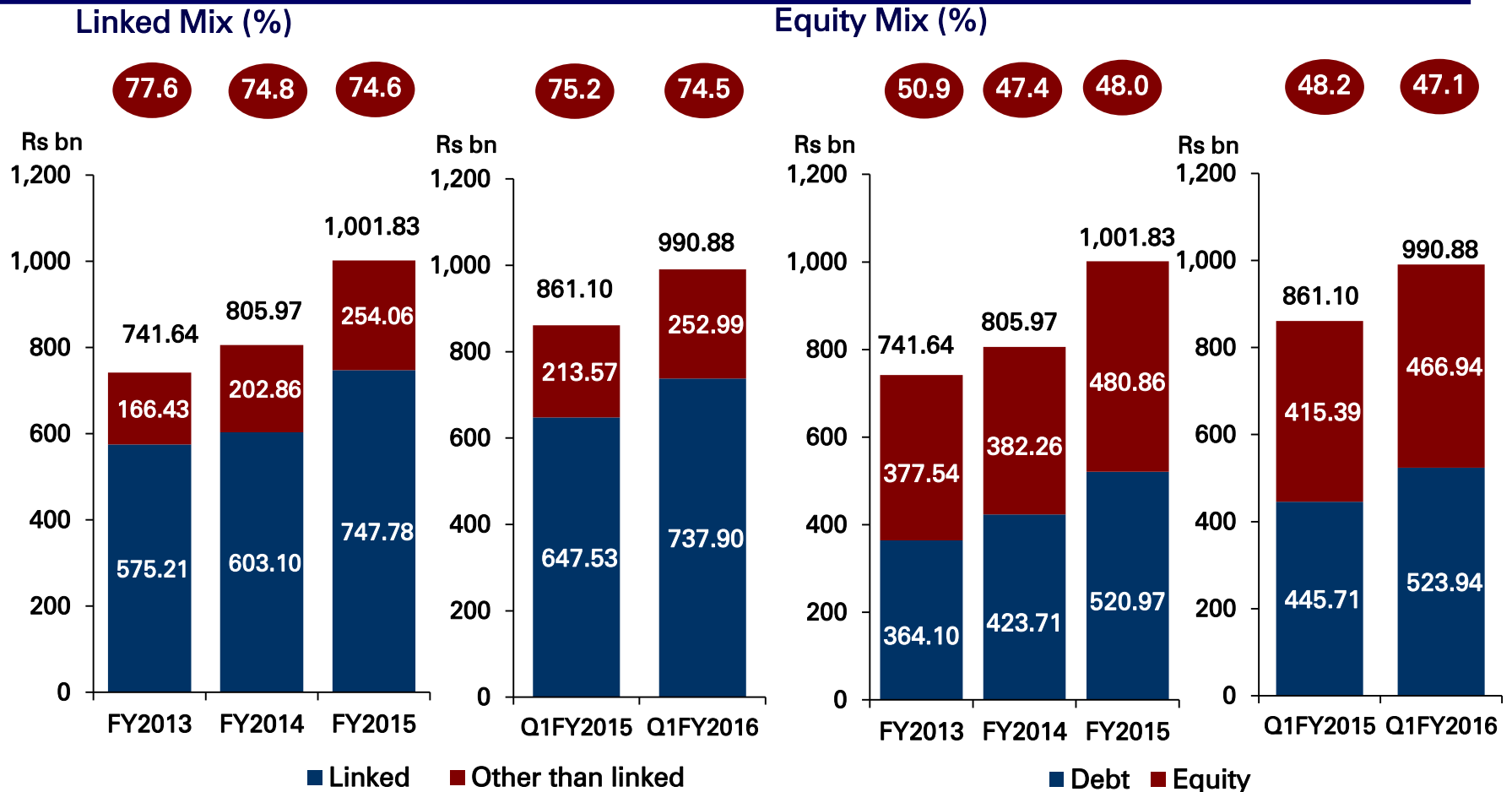
- **Customer centric product design**
 - Offer superior IRRs to customer, IRR increases with tenure
 - Products for every life stage & Income segment
- **Increased focus on protection**
 - Credit life
 - Attachment with our savings products and partner products
 - Health
- **From products to iSolutions**
 - Combining products to create customized solutions

Product mix



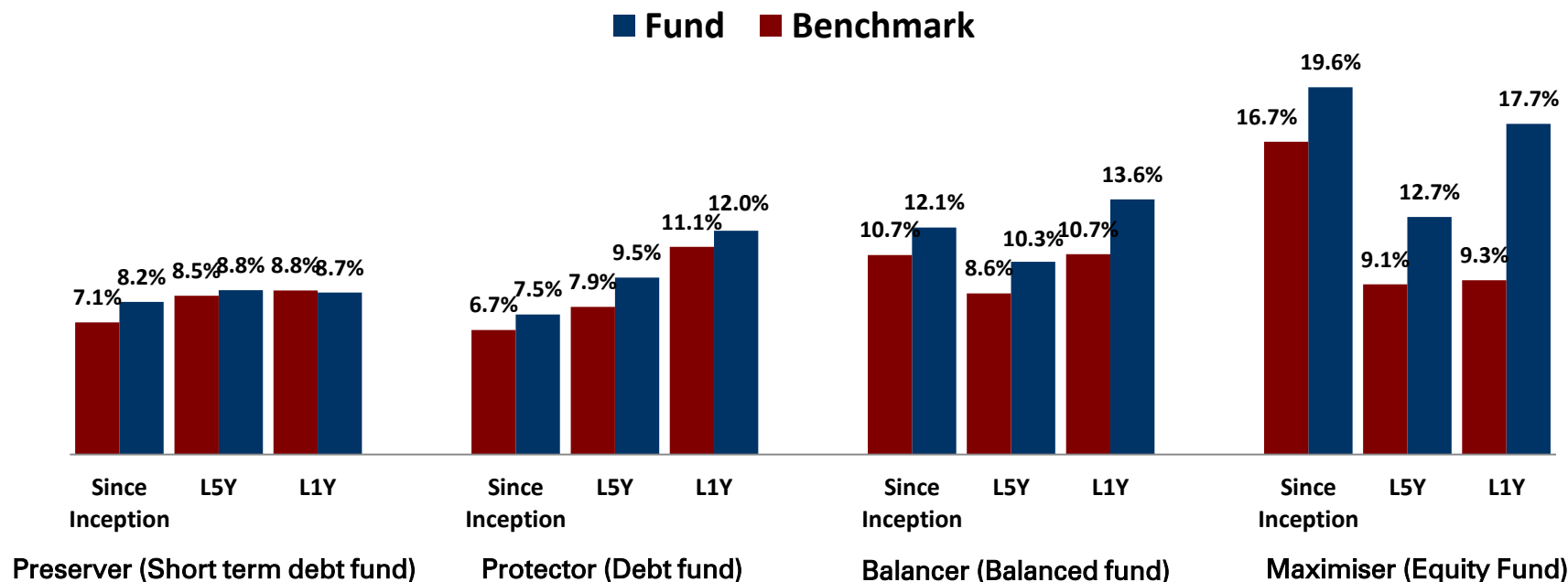
- Increased focus on ULIPs in last two years based on anticipated shift in customer preference
- ULIPs cater to customers with different risk appetite
 - 47% of new ULIP funds in debt
 - Options of capital guarantee, systematic transfer plans

Assets under management



Among the largest fund managers in India

Superior fund performance across cycles



- Multi-tiered investment management structure with clearly defined roles and responsibilities
- 97% of funds have outperformed benchmark since inception*

Inception Dates:

Preserver Fund: June 28, 2004; Protector Fund: April 2, 2002

Balancer Fund : April 2, 2002; Maximiser Fund: Nov 19, 2001

* As on June 30, 2015

Customer service: Q1FY2015



- 95% of new business applications initiated using the digital platform¹



- Quick response time for queries
- 67% of transactions through self servicing mode²



- Widest range of payment options.
- 55% of renewal premiums collected online³
- 92% of payout through electronic mode



- 98% of claims settled within 15 days during FY2015⁴
- 93.8% claims settlement ratio for FY2015
- Grievance ratio for FY2015 stood at 185⁵ compared to 351⁵ for private players

Leveraging technology for superior customer service

1. Weighted first premium (WFP) basis
2. Website, SMS and IVRS mode
3. Online, direct debit and electronic clearing services
4. Non-investigative cases; based on calendar days
5. Number of grievances per 10,000 policies

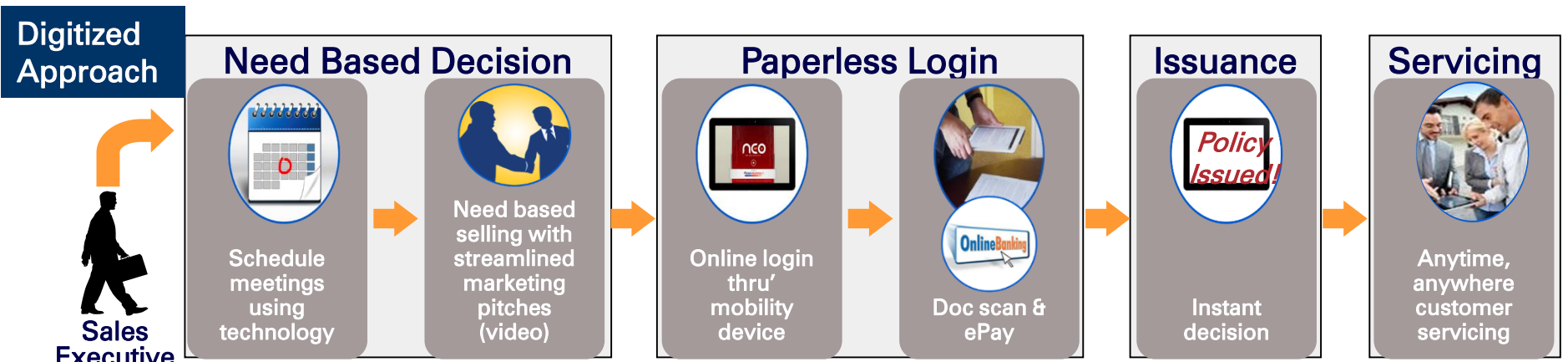
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Multi channel distribution approach

Distribution	Core Strategy
Agency	<ul style="list-style-type: none">● Segmented approach to advisor management; focus on quality hiring● Unit manager as business manager: Holistic KPIs
Bancassurance	<ul style="list-style-type: none">● Leverage extensive and growing partner network● Out-branch models to target customers● Improve presence in alternate channels
Direct	<ul style="list-style-type: none">● Focus on upsell● Convert service interactions to sales opportunities● E-Channel as part of omni channel approach
Corporate agents & brokers	<ul style="list-style-type: none">● Engage with only quality partners
Digitisation to improve productivity across channels	

Move to Cost & Time Efficient Technology aided approach



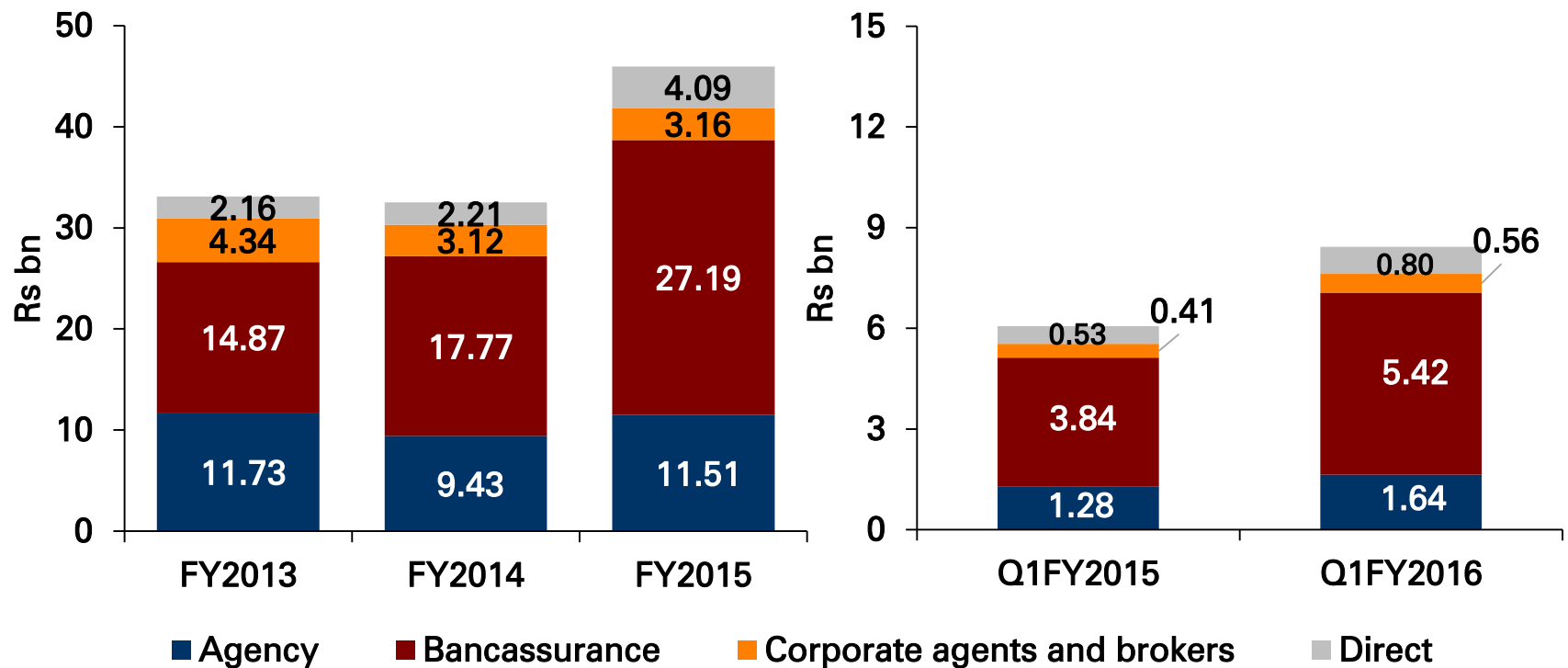
Leveraging technology across value chain

Pre sales	Fulfilment	Post sales
<ul style="list-style-type: none">● Structured sales approach and need analysis● Product literature in 12 languages to aid sales● Standardized content including videos to enable consistent messaging● Integrated with lead management system	<ul style="list-style-type: none">● Intuitive, easy to use app form with data pre population● eKYC – no doc required for existing ICICI Bank, ICICI Life customers and Aadhar card holders● Ease of scanning and uploading doc● Instant underwriting● Support multiple Online payment options	<ul style="list-style-type: none">● Enable anytime, anywhere servicing● View and update policy details and execute payments● Ease of upsell through pre-approved additional cover● Ease of self-servicing for employee / agent

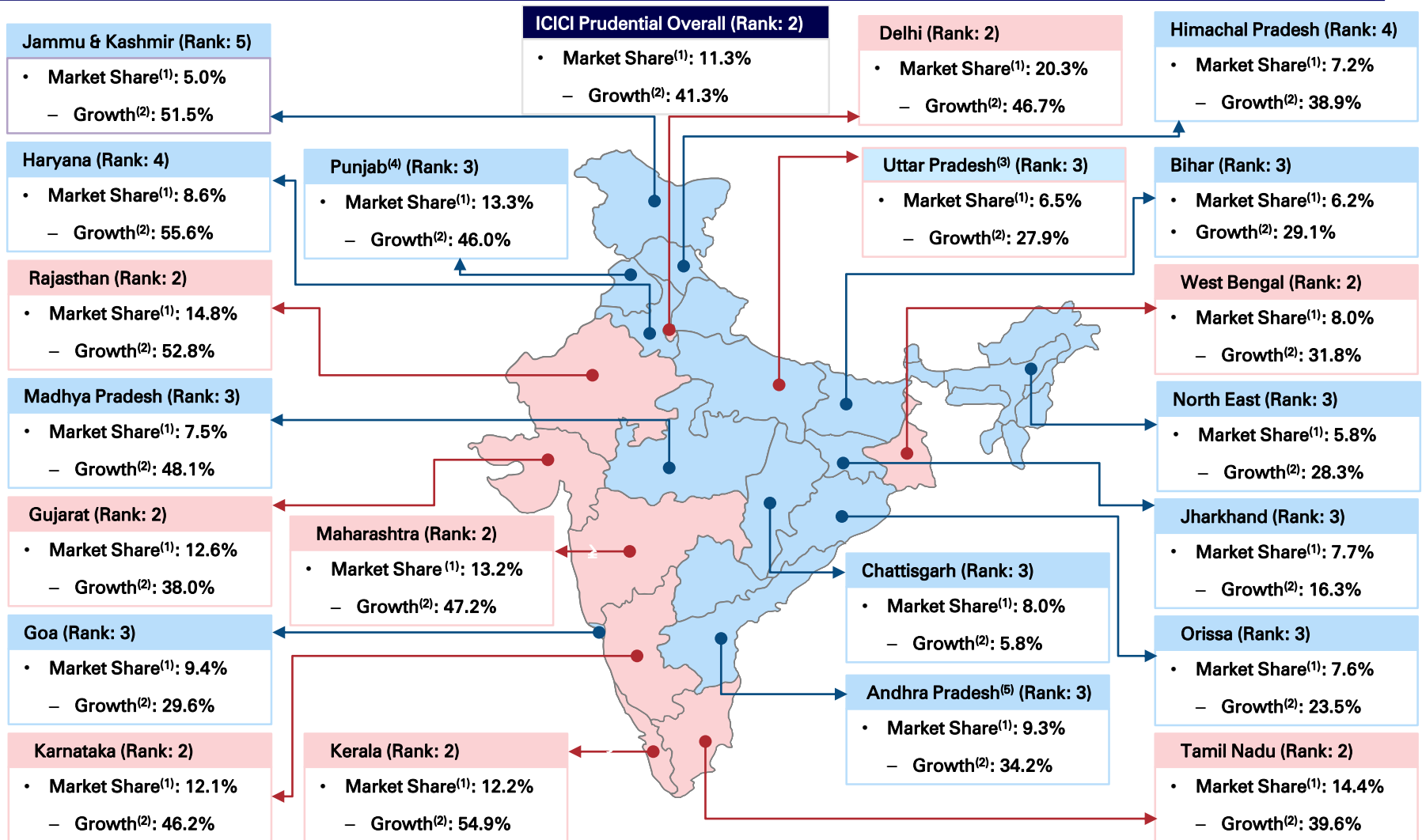
Issuance and delivery of e-policy within 2 hours

Channel mix

Channel mix ¹	FY2013	FY2014	FY2015	Q1FY2015	Q1FY2016
Agency	35.4%	29.0%	25.0%	21.2%	19.5%
Bancassurance	44.9%	54.6%	59.2%	63.3%	64.4%
Corporate agents and brokers	13.1%	9.6%	6.9%	6.8%	6.7%
Direct	6.5%	6.8%	8.9%	8.8%	9.5%



Strong reach across India: Leadership in key markets



1. Retail weighted received premium basis; For FY15
2. YoY growth

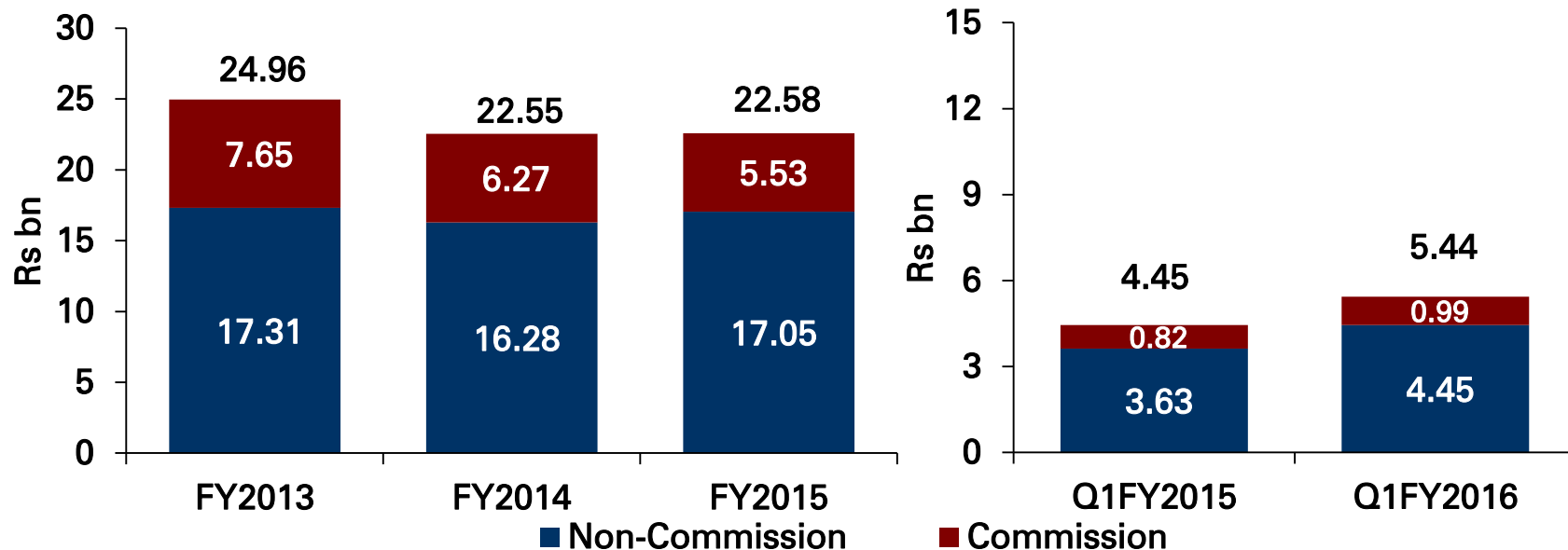
3. Uttar Pradesh includes Uttaranchal
4. Punjab includes Chandigarh
5. Andhra Pradesh includes Telangana

Strategy: Market leadership + Profitable growth

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Cost efficiency

Cost ratios	FY2013	FY2014	FY2015	Q1FY2015	Q1FY2016
Cost to RWRP ¹	75.4%	69.3%	49.1%	73.3%	64.5%
Expense ratio (excl. commission) ²	13.3%	13.6%	11.7%	16.6%	16.1%
Commission ratio ³	5.9%	5.2%	3.8%	3.8%	3.6%
Total expense ratio ⁴	19.2%	18.8%	15.4%	20.4%	19.6%
Cost / Average AUM ⁵	3.4%	2.9%	2.5%	2.1%	2.2%



1. All insurance expenses including commission / Retail weighted received premium

2. Expense ratio: All insurance expenses (excl. commission) / (Total premium – 90% of single premium)

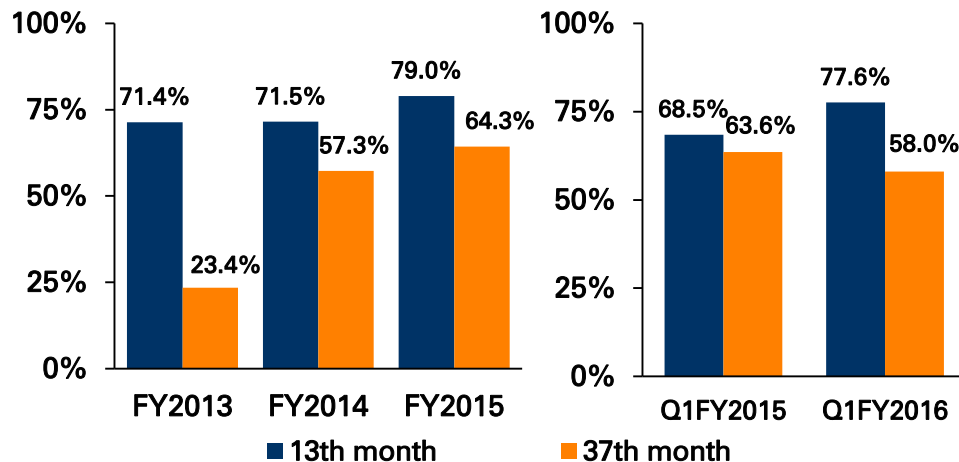
3. Commission ratio: Commission / (Total premium – 90% of single premium)

4. Total Expense ratio: Cost / (Total premium – 90% of single premium)

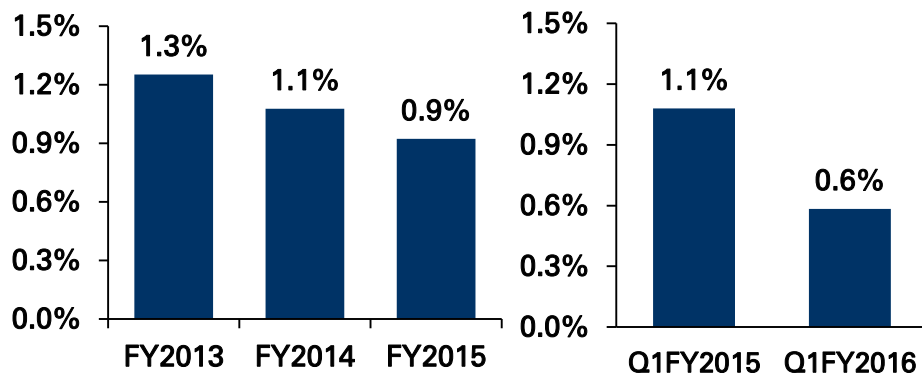
5. Annualized cost / Average assets under management held during the period

Persistency

Improving persistency¹ trend (%)



Declining surrender² trend (%)



- Persistency a key metric for sales performance measurement
- Digital service platform to support distributors
- Improving ease of payment
 - ECS registration
 - Online payments
 - Multiple tie-ups for collections
- Stronger customer engagement using multiple communication modes including social media

Robust risk management and control process

- **Governance**
 - Board comprising 5 independent, 4 ICICI Bank, 2 Prudential Plc members and 3 Executive directors
 - All Board committees chaired by independent directors
 - Risk and investment policies approved by Board Committees
 - 3 lines of defense to manage risk with independent audit, compliance and risk functions
- **Risk exposure**
 - Low Market risk: Largely linked portfolio and low guarantees
 - Low credit risk: AAA and government bonds account for 94% of debt funds
 - Low Liquidity risk due to nature of liabilities
 - Insurance risk: Low mortality and morbidity risk, No negative variance in persistency
 - Moderate operational risk: Mis-selling risk of linked portfolio addressed in product design

Profitable growth

Sustained and strong profitability

RoE¹ (%)

31.2

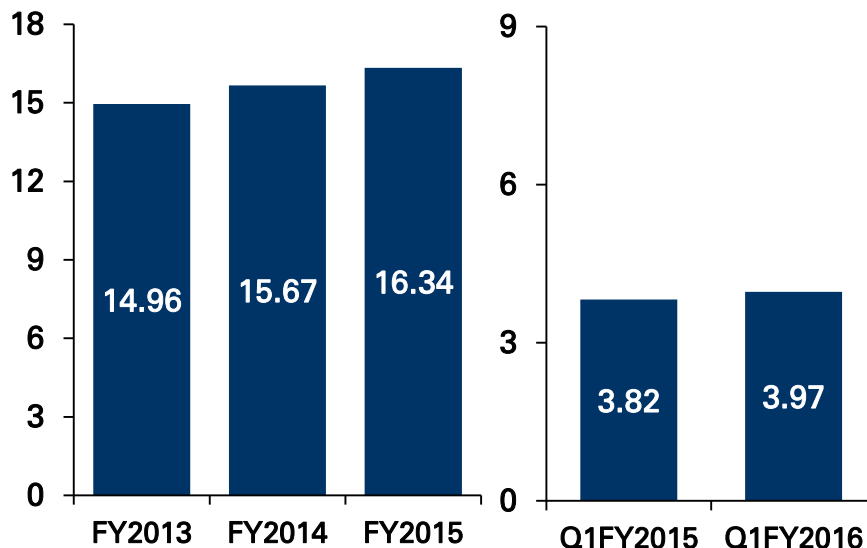
32.7

33.9

31.9

33.0

Profit after tax (Rs bn)



Best positioned to capitalize on growth opportunity

Solvency Ratio (%)

396

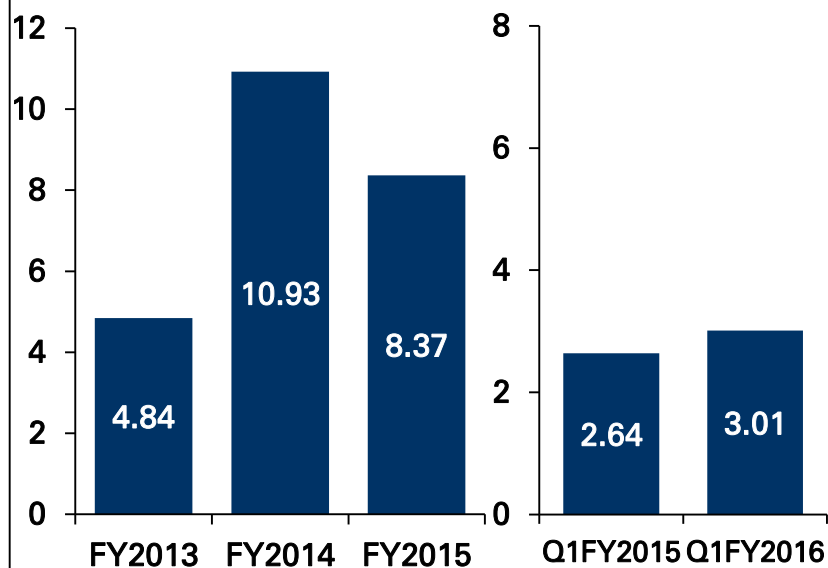
372

337

384

340

Dividend (Rs bn)



New Business Profits

Rs bn	FY2013	FY2014	FY2015	Q1 FY2015	Q1 FY2016
Annualized premium equivalent (APE)	35.32	34.44	47.44	6.59	9.10
New business profit (NBP)	5.29 ¹	4.27 ¹	6.43 ²	0.72 ¹	1.26 ²
NBP margin	15.0%	12.4%	13.6% ³	10.9%	13.8%

- New business profit (IEV) on actual acquisition cost for FY2015 Rs 2.70 bn compared to Rs 2.28 bn for FY2014

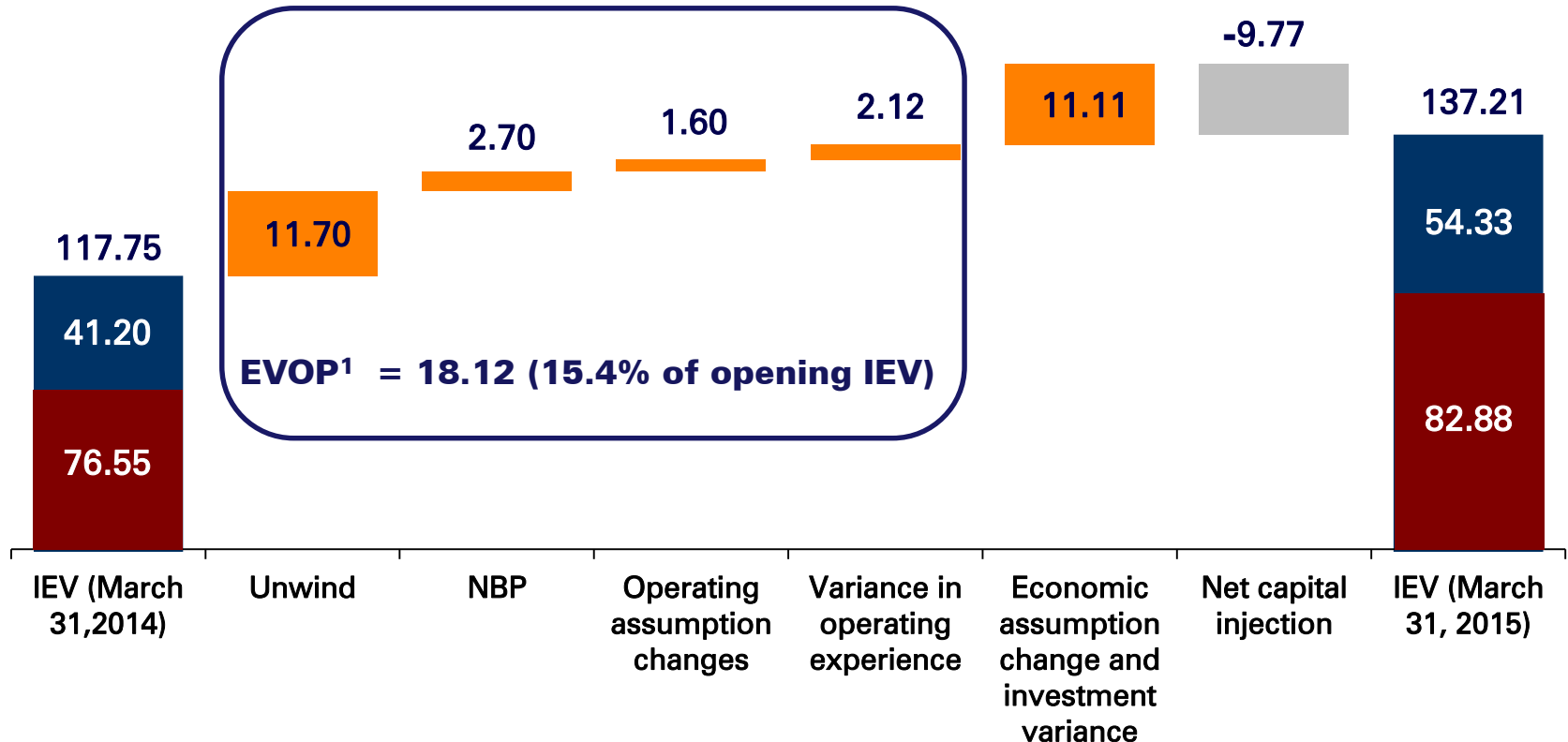
1 On TEV methodology ; on target acquisition cost basis

2 On IEV methodology; on target acquisition cost basis

3 TEV margin 11.2% for FY2015

Analysis of movement in IEV

All figures in Rs billion



■ Value of in-force business ■ Adjusted net worth

Sensitivity analysis

Scenario	% change in NBP	% change in IEV
Increase in 100 bps in the reference rates	1.7%	-2.4%
Decrease in 100 bps in the reference rates	-3.0%	2.6%
10% increase in discontinuance rates	-16.0%	-1.0%
10% decrease in discontinuance rates	18.0%	1.2%
10% increase in management expenses	-5.8%	-0.8%
10% decrease in management expenses	5.8%	0.8%
10% increase in mortality	-5.9%	-0.7%
10% decrease in mortality	5.9%	0.7%

Summary

<p>1 India: High growth potential</p>	<ul style="list-style-type: none"> ● Low penetration¹ and even lower density² ● One of the last emerging markets with significant scale and favourable growth drivers
<p>2 Consistent Leadership Across Cycles</p>	<ul style="list-style-type: none"> ● #1 in India on RWRP basis for every year since FY2002³ ● Distance increased from 1.04x in FY12 to 1.47x⁴ in FY2015
<p>3 Customer Centric Approach Across Value Chain</p>	<ul style="list-style-type: none"> ● Revolutionizing customer experience across value chain through digitization ● Customer focused product suite; Delivering superior value through product design and fund performance ● Low grievance ratio and best in class claims settlement ratio
<p>4 Multi Channel Distribution backed by advanced digital processes</p>	<ul style="list-style-type: none"> ● Access to network of ICICI bank (#1 Indian private bank) and Standard Chartered Bank ● Continue to invest in agency channel; adding quality agents and improving productivity ● Strong focus on technology and digitization to reduce dependence on physical presence
<p>5 Delivering Consistent Returns to Shareholders</p>	<ul style="list-style-type: none"> ● RoE⁵ of more than 30% since FY2012; Self funded business – no capital calls since FY 2009; cumulative dividend pay-out of Rs 31.28 bn ● With strong solvency of 340% and less capital requirement due to product mix, well positioned to take advantage of growth
<p>6 Robust & Sustainable Business Model</p>	<ul style="list-style-type: none"> ● Very low regulatory or interest rate risk with over 80% of RWRP contribution from ULIP products; Over 90% of debt investments in AAA rated and government bonds ● Focus on reducing costs - Cost/RWRP declined from 84.8% in FY2012 to 49.1% in FY2015 ● Strong focus on renewals (high persistency ratios)

1. Sum assured as a % of GDP

2. Premium per capita

3. IRDA Retail Weighted Received Premium (RWRP)

4. RWRP ratio of ICICI Prudential to nearest competitor

5. Based on invested capital

Appendix

IEV methodology and approach

Embedded Value is calculated as per Indian Embedded Value (IEV) standards as per Actuarial Practice Standard 10 issued by the Institute of Actuaries of India. The IEV is broadly consistent with Market Consistent Embedded Value.

Components of IEV

Adjusted Net Worth (ANW) is the market value of assets attributable to shareholders, consisting of

- Free Surplus
- Required Capital

Value of in-force (VIF) business is the

- Present value of in-force business less
- Frictional Cost of required capital less
- Cost of residual non-hedgeable risk less
- Time value of financial options and guarantee

Components of Adjusted Net worth

Free Surplus

It is the market value of any assets allocated to, but not required to support, the in-force covered business.

Required Capital

RC is the solvency capital netted down for that part funded by Funds for Future Appropriation.

Components of Value of In-force

Present value of in-force business (PVFP)

This is the present value of projected distributable profits to shareholders arising from the in-force business

Projection is carried out using 'best estimate' non-economic assumptions and market consistent economic assumptions.

Distributable profits are determined by reference to local IGAAP liabilities.

VIF from group business is not included in closing VIF and profit during the period is included in operating variance for the period.

Frictional Cost of required capital

FC represents the investment management and taxation costs associated with holding the Required capital. Investment costs have been reflected as an explicit reduction to the gross investment return.

Taxation cost has been allowed based on the Company's interpretation of the current regulations on taxation applicable to the business.

Cost of residual non-hedgeable risk ('CRNHR')

The CRNHR is an allowance for risks to shareholder value to the extent that these are not already allowed for in the TVFOG or the PVFP.

CRNHR is determined using cost-of-capital approach. It is the present value of the cost of capital charge levied on the projected capital. The annual charge applied to the capital required is 3% p.a.

Components of Value of In-force

Time value of financial options and guarantee (TVFOG)

This represents the additional cost to shareholder that may arise from embedded financial options and guarantees.

A stochastic method is adopted with methods and assumptions consistent with underlying embedded value, using economic assumptions such that they are valued in line with price of similar cash flows that are traded in the capital market.

Assumptions underlying IEV

Economic Assumptions

Reference rate is a proxy for risk free rate. The reference rate was derived prices of Indian government securities. No allowance for any illiquidity premium was allowed for. Both the future earning rate and discount rate was set equal to the reference rate.

New business profitability was based on opening yield curve till the valuation date. After the valuation date, it was assumed that the closing yield curve is applicable.

Mortality and morbidity

These assumptions are specific to different product types and are set based on Company's experience. An allowance has been made for future improvements in policyholder longevity in respect of annuities.

Expense and Commission

The expense assumptions are based on an analysis of the Company's actual expenses during the financial year 2014-15. No productivity gains or cost efficiencies have been anticipated after the valuation date in setting the expense assumption.

The commission rates under different products are based on the actual commission payable (if any).

Persistency

The policy/premium discontinuance assumptions, partial withdrawal rates and the revival rates, specific to different product types and duration in-force, are set based on the Company's own experience .

Tax

In projection of profits attributable to shareholders, a tax rate of 14.42% for life business and 0% for pension business is assumed.

Components of IEV movement

Opening adjustments

This reflects any modelling and methodology changes.

Unwind (Expected Return) on existing business

This represents the expected real world return earned on the opening shareholder and unwinding of discount of the opening PVFP

Operating Assumption Change

The assumptions underlying IEV are periodically monitored and any change in actual experience over the year is reflected in assumptions. The impact of this assumption change is shown in the opening IEV of the company.

Value of New Business (VNB)

This reflects the additional value to shareholders created through new business during the period and includes the value of expected renewal premium on that new business. VNB is calculated in the same way as VIF with appropriate allowance for change in ANW during the reporting period. The VNB is determined as at the valuation date and is represented net of tax.

Operating variance

This captures the financial impact of any deviation of the actual mortality, morbidity, persistency and expense experience during the inter-valuation period from the one assumed in the opening IEV after any operating assumption change.

Components of IEV movement

Economic assumption change

This reflects the impact of moving from opening yield curve to closing yield curve. The impact is quantified on the opening IEV.

Investment variance

This item reflects the impact due to the actual earned return being different from real-world assumed return.

Net capital injection

The net capital injection reflects any capital injected by shareholders less any dividends paid out to shareholders (including dividend distribution tax) during the period.

Economic assumptions underlying IEV

Tenor (years)	Reference Rates	
	March 31, 2014	March 31, 2015
1	8.89%	8.28%
3	9.03%	8.16%
5	9.35%	8.13%
7	9.57%	8.12%
10	9.76%	8.11%

Thank you