



Ad^vanced
Leadership
Programme

Universal Banking

Chanda Kochhar
MD & CEO, ICICI Bank

November 29, 2012

AGENDA

Evolution of Universal Banking

The ICICI Experience

Key Learnings

Emerging Regulatory Environment

AGENDA

Evolution of Universal Banking

The ICICI Experience

Key Learnings

Emerging Regulatory Environment

Global context

- ✓ **Started with combination of investment and commercial banking**
- ✓ **Evolved into a term for a financial services organisation with presence across multiple segments – banking, securities, asset management, insurance**

Key benefits

- ✓ **Systemic perspective**
 - ✓ **Economies of scale and scope**
- ✓ **Financial institution perspective**
 - ✓ **Diversification of revenues and risks**
 - ✓ **Better use of infrastructure**
 - ✓ **Maximising franchise value**

Key risks

- ✓ **Systemic perspective**
 - ✓ **Too big to fail: systemic risk**
 - ✓ **Excessive market dominance**
 - ✓ **Complexity**
- ✓ **Financial institution perspective**
 - ✓ **Execution risk**
 - ✓ **Reputation risk**

Indian context

- ✓ **Started with blurring of boundaries between DFIs and banks**
- ✓ **Evolution of diversified financial services groups over two decades**
- ✓ **Continuing growth opportunities across segments given low penetration of financial services**
- ✓ **Separate and independent regulators for each segment of financial services**

AGENDA



Evolution of Universal Banking

The ICICI Experience

Key Learnings

Emerging Regulatory Environment



Evolution of the ICICI Group

- ✓ **Till 1980s: DFI**
- ✓ **1988: Venture capital/ private equity**
- ✓ **1993: Investment banking & securities**
- ✓ **1993: Asset management (mutual fund)**
- ✓ **1994: Commercial bank**
- ✓ **1998: Retail lending**
- ✓ **2000: Life insurance**
- ✓ **2001: General insurance**
- ✓ **2002: Merger of ICICI with ICICI Bank**
- ✓ **2002 onwards: International expansion**

***Driven by strategy of
diversification and opportunity
for growth and value creation***

Framework for strategic thinking

- ✓ **What is the future growth and profit opportunity in this business?**
- ✓ **What is the competitive landscape – can we make a meaningful difference?**
- ✓ **Manufacture or distribute or both?**
- ✓ **What is the capital requirement – and do we have access to capital?**
- ✓ **When will the business generate returns – and do we have appetite for the investment phase?**

Framework for strategic thinking

- ✓ **What is the stakeholder perception of this business?**
- ✓ **What synergies can we derive?**
- ✓ **What are the financial, operating and reputation risks?**
- ✓ **Do we have the management bandwidth and human capital required?**
- ✓ **What should the legal and organisational structure be?**

Focus on key enablers

- ✓ **Capital**
- ✓ **Product Capability**
- ✓ **Distribution**
- ✓ **Technology**
- ✓ **People & Culture**
- ✓ **Brand**

Strong position across various segments of financial services

AGENDA



Evolution of Universal Banking

The ICICI Experience

Key Learnings

Emerging Regulatory Environment



Key learnings

- ✓ **Ensure alignment of objectives and aspirations of joint venture partners**
- ✓ **Actively manage the universal bank**
 - ✓ **Do not be a passive shareholder**
 - ✓ **Be aware of the developments in each business and drive it while balancing objectives of different stakeholders**
- ✓ **Focus on actively driving synergy**
 - ✓ **Creating incentives for synergy**
 - ✓ **Managing risks of synergy e.g. mis-selling**

AGENDA



Evolution of Universal Banking

The ICICI Experience

Key Learnings

Emerging Regulatory Environment



Key aspects of evolving regulation

- ✓ **Focus on complexity and moral hazard**
- ✓ **Capital requirements and exposure limits**
- ✓ **Changing regulatory approach in overseas domains**
- ✓ **Structure of the universal bank**

Key imperatives

- ✓ **Build a common culture that ensures the right approach to business in each area and alignment and cohesion across the organisation**
- ✓ **Ensure sufficient capital – do not compromise on growth but meet regulatory requirements by disciplined capital allocation**

Key imperatives

- ✓ **Ensure adequate focus and oversight on each business irrespective of its financial contribution – because challenges in even a small business can impact the universal bank's brand**
- ✓ **Calibrate business to the expectations of regulators – work to give them comfort that the businesses are being well managed**

Thank you