

ICICI BANK LTD  
Form 20-F  
August 01, 2016

As filed with the Securities and Exchange Commission on August 1, 2016

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**For the fiscal year ended March 31, 2016.**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

OR

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report \_\_\_\_\_**

Commission file number: 001-15002

ICICI BANK LIMITED

(Exact name of Registrant as specified in its charter)

Vadodara, Gujarat, India

(Jurisdiction of incorporation or organization)

ICICI Bank Towers

Bandra-Kurla Complex

Mumbai 400051, India

(Address of principal executive offices)

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
<u>Equity Shares of ICICI Bank Limited(1)</u>	<u>New York Stock Exchange</u>
<u>American Depositary Shares, each representing ten Equity Shares of ICICI Bank Limited, par value Rs. 2 per share</u>	<u>New York Stock Exchange</u>

(1) Not for trading, but only in connection with the registration of American Depositary Shares representing such Equity Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

[None]

Edgar Filing: ICICI BANK LTD - Form 20-F

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

[None]

The number of outstanding Equity Shares of ICICI Bank Limited as of March 31, 2016 was 5,814,768,430.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes            No

Edgar Filing: ICICI BANK LTD - Form 20-F

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes            No

**Note** – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes            No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes            No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer            Accelerated Filer            Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

**table of contents**

Page

<u>Cross Reference Sheet</u>	<u>ii</u>
<u>Certain Definitions</u>	<u>1</u>
<u>Forward-Looking Statements</u>	<u>2</u>
<u>Exchange Rates</u>	<u>3</u>
<u>Market Price Information</u>	<u>5</u>
<u>Risk Factors</u>	<u>7</u>
<u>Business</u>	<u>40</u>
<u>Overview</u>	<u>40</u>
<u>History</u>	<u>41</u>
<u>Shareholding Structure and Relationship with the Government of India</u>	<u>41</u>
<u>Strategy</u>	<u>42</u>
<u>Overview of Our Products and Services</u>	<u>44</u>
<u>Funding</u>	<u>58</u>
<u>Risk Management</u>	<u>61</u>
<u>Loan Portfolio</u>	<u>84</u>
<u>Classification of Loans</u>	<u>90</u>
<u>Subsidiaries, Associates and Joint Ventures</u>	<u>103</u>
<u>Technology</u>	<u>105</u>
<u>Employees</u>	<u>110</u>
<u>Properties</u>	<u>111</u>
<u>Legal and Regulatory Proceedings</u>	<u>111</u>
<u>American Depository Receipt Fees and Payments</u>	<u>116</u>
<u>Selected Consolidated Financial and Operating Data</u>	<u>117</u>
<u>Operating and Financial Review and Prospects</u>	<u>122</u>
<u>Management</u>	<u>211</u>
<u>Overview of the Indian Financial Sector</u>	<u>226</u>
<u>Supervision and Regulation</u>	<u>238</u>
<u>Exchange Controls</u>	<u>279</u>
<u>Restriction On Foreign Ownership of Indian Securities</u>	<u>281</u>
<u>Dividends</u>	<u>284</u>
<u>Taxation</u>	<u>285</u>
<u>Presentation Of Financial Information</u>	<u>291</u>
<u>Additional Information</u>	<u>292</u>
<u>Exhibit Index</u>	<u>294</u>

## Cross Reference Sheet

Form 20-F	Item Number and Caption	Location	
<b>Part – I</b>			
1	Identity of Directors, Senior Management and Advisers	Not applicable	
2	Offer Statistics and Expected Timetable	Not applicable	
3	Key Information	Selected Consolidated Financial and Operating Data	117
		Exchange Rates	3
		Risk Factors	7
4	Information on the Company	Business	40
		Operating and Financial Review and Prospects	122
		Overview of the Indian Financial Sector	226
		Supervision and Regulation	238
		Business—Subsidiaries, Associates and Joint Ventures	103
		Business—Properties	111
		Schedule 18B Note 5 in Notes to Consolidated Financial Statements	F-63
4A	Unresolved Staff Comments	None	
5	Operating and Financial Review and Prospects	Operating and Financial Review and Prospects	122
		Business—Risk Management	61
		Business—Funding	58
6	Directors, Senior Management and Employees	Management	211
		Business—Employees	110
7	Major Shareholders and Related Party Transactions	Business—Shareholding Structure and Relationship with the Government of India	41
		Operating and Financial Review and Prospects—Related Party Transactions	196
		Management—Compensation and Benefits to Directors and Officers—Loans	224
		Schedule 18. Note 3 in Notes to Consolidated Financial Statements	F-42
8	Financial Information	Report of Independent Registered Public Accounting Firm	F-2
ii			

Form 20-F	Item Number and Caption	Location	
		Consolidated Financial Statements and the Notes thereto	F-5
		Operating and Financial Review and Prospects—Executive Summary	122
		Business—Legal and Regulatory Proceedings	111
		Dividends	284
9	The Offer and Listing	Market Price Information	5
10	Additional Information	Additional Information	292
		Exchange Controls	279
		Taxation	285
		Restriction on Foreign Ownership of Indian Securities	281
		Dividends	284
		Business—Subsidiaries, Associates and Joint Ventures	103
11	Quantitative and Qualitative Disclosures About Market Risk	Business—Risk Management—Quantitative and Qualitative Disclosures About Market Risk	68
12	Description of Securities Other than Equity Securities	Business—American Depository Receipt Fees and Payments	116
<b>Part – II</b>			
13	Defaults, Dividend Arrearages and Delinquencies	Not applicable	
14	Material Modifications to the Rights of Security Holders and Use of Proceeds	Not applicable	
15	Controls and Procedures	Business—Risk Management—Controls and Procedures	83
16	[Reserved]	Not applicable	
16A	Audit Committee Financial Expert	Management—Corporate Governance—Audit Committee	217
16B	Code of Ethics	Management—Corporate Governance—Code of Ethics	220
16C	Principal Accountant Fees and Services	Management—Corporate Governance—Principal Accountant Fees and Services	220



Form 20-F	Item Number and Caption	Location	
16D	Exemptions from the Listing Standards for Audit Committees	Not applicable	
16E	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	Business—Shareholding Structure and Relationship with the Government of India	41
16F	Change in Registrant’s Certifying Accountant	Not applicable	
16G	Corporate Governance	Management—Summary Comparison of Corporate Governance Practices	220
<b>Part – III</b>			
17	Financial Statements	See Item 18	
18	Financial Statements	Report of Independent Registered Public Accounting Firm	F-2
		Consolidated Financial Statements and the Notes Thereto	F-5
19	Exhibits	Exhibit Index and Attached Exhibits	294

## Certain Definitions

In this annual report, all references to “we”, “our”, and “us” are to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities under generally accepted accounting principles in India (“Indian GAAP”). In the financial statements contained in this annual report and the notes thereto, all references to “the Company” are to ICICI Bank Limited and its consolidated subsidiaries and other consolidated entities under Indian GAAP.

References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to the “amalgamation” are to the amalgamation of ICICI, ICICI Personal Financial Services and ICICI Capital Services with ICICI Bank. References to “Sangli Bank” are to The Sangli Bank Limited prior to its amalgamation with ICICI Bank, effective April 19, 2007. References to “Bank of Rajasthan” are to the Bank of Rajasthan Limited prior to its amalgamation with ICICI Bank, effective from the close of business at August 12, 2010.

References to “ICICI Bank” and “the Bank” are to ICICI Bank Limited on an unconsolidated basis. References to “ICICI” are to ICICI Limited and its consolidated subsidiaries and other consolidated entities under Indian GAAP prior to the amalgamation of ICICI Limited, ICICI Personal Financial Services Limited and ICICI Capital Services Limited with ICICI Bank Limited which was effective March 30, 2002 under Indian GAAP. References to a particular “fiscal” year are to the year ended on March 31 of such a year. Unless otherwise indicated, all references to the “Board of Directors” and the “Board” are to the board of directors of ICICI Bank.

All references to the “Companies Act”, the “Banking Regulation Act” and the “Reserve Bank of India Act” are to the Companies Act, 2013 and to the Companies Act, 1956 where notification under the new Act is pending, the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934 as passed by the Indian Parliament and as amended from time to time. All references to “RBI” and the “Reserve Bank of India” are to the central banking and monetary authority of India.

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities and Exchange Commission, we file annual reports on Form 20-F which must include financial statements prepared under generally accepted accounting principles in the United States (U.S. GAAP), or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders’ equity to U.S. GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under the United States securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 included U.S. GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, we have included in this annual report, as in the annual reports for fiscal years 2012 through 2016, consolidated financial statements prepared according to Indian GAAP, with a reconciliation of net income and stockholders’ equity to U.S. GAAP and a description of significant differences between Indian GAAP and U.S. GAAP.

Our annual report prepared and distributed to our shareholders under Indian law and regulations include unconsolidated Indian GAAP financial statements, management's discussion and analysis of the Bank's results of operations and financial condition based on the Bank's unconsolidated Indian GAAP financial statements and our consolidated Indian GAAP financial statements.

## Forward-Looking Statements

We have included statements in this annual report which contain words or phrases such as “will”, “would”, “aim”, “aimed”, “will likely result”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “estimating”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “trying to”, “target”, “propose to”, “future”, “objective”, “should”, “can”, “could”, “may”, “will pursue” and similar expressions or variations of such expressions that 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 banking and other financial products and services in the countries in which we operate or where a material number of our customers reside, our ability to successfully implement our strategy, including our retail deposit growth strategy, our use of the internet and other technology, our rural expansion, our exploration of merger and acquisition opportunities, our ability to integrate recent or future mergers or acquisitions into our operations and manage the risks associated with such acquisitions to achieve our strategic and financial objectives, our ability to manage the increased complexity of the risks that we face following our international growth, future levels of non-performing, restructured loans and any increased provisions, our growth and expansion in domestic and overseas markets, our status as a systemically important bank in India, our ability to maintain enhanced capital and liquidity requirements, the adequacy of our contingency reserve and our allowance for credit and investment losses, technological changes, investment income, our ability to market new products, cash flow projections, the outcome of any legal, tax or regulatory proceedings in India and in other jurisdictions in which we are or become a party to, the impact of any changes in India’s credit rating, the impact of any new accounting standards, our ability to implement our dividend payment practice, the impact of changes in banking and insurance regulations and other regulatory changes in India and other jurisdictions on us, including changes in regulatory intensity, supervision and interpretations, the state of the global financial system and systemic risks, the bond and loan market conditions and availability of liquidity amongst the investor community in these markets, the nature of credit spreads and interest spreads from time to time, including the possibility of increasing credit spreads or interest rates, our ability to roll over our short-term funding sources and our exposure to credit, market and liquidity risks. We undertake no obligation to update forward-looking statements to reflect events or circumstances after the date thereof.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report include, but are not limited to, the monetary and interest rate policies of India and the other markets in which we operate, natural calamities and environmental issues, general economic and political conditions in India, southeast Asia, and the other countries which have an impact on our business activities or investments, political or financial instability in India or any other country caused by any factor including any terrorist attacks in India, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of India, tensions between India and Pakistan related to the Kashmir region or military armament or social unrest in any part of India, inflation, deflation, unanticipated turbulence in interest rates, changes or volatility in the value of the rupee, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in general, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in India and regional or general changes in asset valuations. For a further discussion of the factors that could cause actual results to differ, see the discussion under “Risk Factors” contained in this annual report.

## Exchange Rates

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of equity shares on the Indian stock exchanges and, as a result, will affect the market price of our American Depositary Shares, or ADSs, in the United States. These fluctuations will also affect the conversion into U.S. dollars by the depositary of any cash dividends paid in Indian rupees on our equity shares represented by ADSs.

During fiscal 2012, the rupee depreciated against the U.S. dollar by 14.3%, moving from Rs. 44.54 per US\$ 1.00 at year-end fiscal 2011 to Rs. 50.89 at year-end fiscal 2012 due to volatility in capital flows on account of increased risk aversion following the European sovereign debt crisis as well as moderation in India's economic growth. During fiscal 2013, the rupee depreciated against the U.S. dollar by 7.1%, moving from Rs. 50.89 at year-end fiscal 2012 to Rs. 54.52 at year-end fiscal 2013. During fiscal 2014, the rupee depreciated against the U.S. dollar by 10.1%, moving from Rs. 54.52 per US\$1.00 at year-end fiscal 2013 to Rs. 60.00 per US\$1.00 at year-end fiscal 2014 due to concern about India's current account deficit and possible implications of the anticipated withdrawal of quantitative easing by the U.S. Federal Reserve. During fiscal 2015, the rupee depreciated against the U.S. dollar by 3.9%, moving from Rs. 60.00 per US\$1.00 at year-end fiscal 2014 to Rs. 62.31 per US\$1.00 at year-end fiscal 2015. During fiscal 2016, the rupee depreciated against the U.S. dollar by 6.3%, moving from Rs. 62.31 per US\$1.00 at year-end fiscal 2015 to Rs. 66.25 per US\$1.00 at year-end fiscal 2016. During fiscal 2017, through June 30, 2016, the rupee depreciated by 1.9% to Rs. 67.51 per US\$1.00. See also "*Risk Factors—Risks Relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs*".

The following table sets forth, for the periods indicated, certain information concerning the exchange rates between Indian rupees and U.S. dollars. The exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Fiscal Year	Period End <sup>(1)</sup>	Average <sup>(1),(2)</sup>
2012	50.89	48.01
2013	54.52	54.48
2014	60.00	60.76
2015	62.31	61.34
2016	66.25	65.58
2017 (through June 30, 2016)	67.51	67.01

Month	High	Low
March 2015	63.06	61.76
April 2015	63.58	61.99
May 2015	64.19	63.31
June 2015	64.21	63.43
July 2015	64.24	63.24
August 2015	66.80	63.67

September 2015	66.70	65.50
October 2015	65.57	64.70
November 2015	66.86	65.46
December 2015	67.10	66.00
January 2016	68.08	66.49
February 2016	68.84	67.57
March 2016	67.75	66.25
April 2016	66.70	66.05
May 2016	67.59	66.36
June 2016	67.92	66.51

(1) The exchange rate at each period end and the average rate for each period differed from the exchange rates used in the preparation of our financial statements.

(2) Represents the average of the exchange rate on the last day of each month during the period.

Although certain rupee amounts in this annual report have been translated into U.S. dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into U.S. dollars at any particular rate, the rates stated below, or at all. Except as otherwise stated in this annual report, all translations from rupees to U.S. dollars are based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at March 31, 2016. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at March 31, 2016 was Rs. 66.25 per US\$1.00 and at June 30, 2016 was Rs. 67.51 per US\$1.00.

## Market Price Information

## Equity Shares

Our outstanding equity shares are currently listed and traded on the Bombay Stock Exchange, or the BSE, and on the National Stock Exchange of India Limited, or the NSE.

At March 31, 2016, total 5,814,768,430 equity shares were outstanding. The prices for equity shares as quoted in the official list of each of the Indian stock exchanges are in Indian rupees.

The following table shows:

The reported high and low closing prices quoted in rupees for our equity shares on the NSE; and

The reported high and low closing prices for our equity shares, translated into U.S. dollars, based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board, on the last business day of each period presented.

	Price per equity share <sup>(1),(2)</sup>			
	High	Low	High	Low
Annual prices:				
Fiscal 2012	Rs.225.37	Rs.130.68	US\$4.43	US\$2.57
Fiscal 2013	242.54	156.34	4.45	2.87
Fiscal 2014	251.84	156.71	4.20	2.61
Fiscal 2015	384.05	241.83	6.16	3.88
Fiscal 2016	331.15	183.00	5.00	2.76
Quarterly prices:				
Fiscal 2015:				
First Quarter	Rs.298.44	Rs.241.83	US\$4.97	US\$4.03
Second Quarter	319.66	268.85	5.16	4.34
Third Quarter	362.20	285.77	5.75	4.53
Fourth Quarter	384.05	307.95	6.16	4.94
Fiscal 2016:				
First Quarter	Rs.331.15	Rs.283.15	US\$5.21	US\$4.45
Second Quarter	317.45	249.10	4.85	3.80
Third Quarter	290.05	246.40	4.38	3.72
Fourth Quarter	263.00	183.00	3.97	2.76
Fiscal 2017:				



Edgar Filing: ICICI BANK LTD - Form 20-F

First Quarter      Rs.257.65    Rs.214.45    US\$3.83    US\$3.20

Monthly prices:

March 2015	Rs.349.35	Rs.307.95	US\$5.61	US\$4.94
April 2015	331.15	302.30	5.21	4.75
May 2015	329.30	304.60	5.17	4.78
June 2015	317.75	283.15	5.00	4.45
July 2015	317.45	285.00	4.97	4.46
August 2015	314.05	269.95	4.73	4.07
September 2015	279.30	249.10	4.26	3.80
October 2015	290.05	267.10	4.44	4.08
November 2015	279.55	260.45	4.21	3.92
December 2015	273.90	246.40	4.14	3.72
January 2016	263.00	223.10	3.88	3.29
February 2016	217.20	183.00	3.18	2.68
March 2016	237.50	204.95	3.58	3.09
April 2016	254.05	220.30	3.83	3.32
May 2016	244.65	214.45	3.64	3.20
June 2016	257.65	230.95	3.82	3.42

(1) Data from the NSE. The prices quoted on the BSE may be different.

(2) One equity share of Rs. 10 has been sub-divided into five equity shares of Rs. 2 each effective December 5, 2014. Share prices for all periods in the table have been adjusted accordingly.

At June 30, 2016, the closing price of equity shares on the NSE was Rs. 240.6 equivalent to US\$ 3.56 per equity share (US\$7.13 per ADS on an imputed basis) translated at the exchange rate of Rs. 67.51 per US\$1.00 as set forth in the H.10 statistical release of the Federal Reserve Board on June 30, 2016.

At year-end fiscal 2016, there were approximately 986,967 holders of record of our equity shares, of which 733 had registered addresses in the United States and held an aggregate of approximately 2,154,466 equity shares.

#### ADSs

Our ADSs, each representing two equity shares, were originally issued in March 2000 in a public offering and are listed and traded on the New York Stock Exchange under the symbol IBN. The equity shares underlying the ADSs are listed on the BSE and the NSE.

At year-end fiscal 2016, we had approximately 733 million ADSs, equivalent to about 1,466 million equity shares, outstanding. At March 31, 2016, there were approximately 48,259 record holders of our ADSs, out of which 117 have registered addresses in the United States. The following table sets forth, for the periods indicated, the reported high and low closing prices on the New York Stock Exchange for our outstanding ADSs traded under the symbol IBN.

	Price per ADS <sup>(1)</sup>	
	High	Low
Annual prices:		
Fiscal 2012	US\$ 10.13	US\$ 4.89
Fiscal 2013	9.55	5.60
Fiscal 2014	9.68	5.09
Fiscal 2015	12.98	8.53
Fiscal 2016	10.94	5.18
Quarterly prices:		
Fiscal 2015:		
First Quarter	US\$ 10.45	US\$ 8.53
Second Quarter	10.99	9.40
Third Quarter	12.25	9.56
Fourth Quarter	12.98	10.06
Fiscal 2016:		
First Quarter	US\$ 10.94	US\$ 9.36
Second Quarter	10.47	8.19
Third Quarter	9.21	7.22
Fourth Quarter	7.64	5.18
Fiscal 2017:		
First Quarter	US\$ 7.85	US\$ 6.38

## Monthly prices:

March 2015	US\$ 11.77	US\$ 10.06
April 2015	10.94	10.16
May 2015	10.84	10.30
June 2015	10.56	9.36
July 2015	10.47	9.35
August 2015	10.38	8.51
September 2015	8.81	8.19
October 2015	9.21	8.57
November 2015	8.74	7.81
December 2015	8.37	7.22
January 2016	7.64	6.48
February 2016	6.42	5.18
March 2016	7.16	6.12
April 2016	7.85	6.59
May 2016	7.19	6.38
June 2016	7.80	6.65

One equity share of Rs. 10 has been sub-divided into five equity shares of Rs. 2 each effective December 5, 2014. (1) The number of ADSs issued was increased proportionally to maintain the ratio of one ADS to two equity shares. ADS prices for all periods in the table have been adjusted accordingly.

See also “Risk Factors—Risks Relating to ADSs and Equity Shares—Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs”.

## **RISK FACTORS**

*You should carefully consider the following risk factors as well as other information contained in this annual report in evaluating us and our business.*

### **Risks Relating to India and Other Economic and Market Risks**

*A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer.*

We are heavily dependent upon the state of the Indian economy, and a slowdown in growth in the Indian economy could adversely affect our business, our borrowers and our contractual counterparties, especially if such a slowdown were to be continued and prolonged.

In fiscal 2015, the Indian government introduced a new methodology for estimating India's gross domestic product and began publication of sectoral data on a gross value added basis. According to the new methodology, India's gross domestic product grew by 6.6% in fiscal 2014, 7.2% in fiscal 2015 and 7.6% in fiscal 2016. The agriculture sector accounted for 15.4% of gross value added, while industry and services accounted for 31.3% and 53.4%, respectively, in fiscal 2016.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic

growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. As a result, the level of non-performing and restructured loans continued to be adversely impacted.

The Indian economy in general, and the agricultural sector in particular, is impacted by the level and timing of monsoon rainfall. Investments by the corporate sector in India are impacted by government policies and decisions including policies and decisions regarding awards of licenses, access to land, access to natural resources and the protection of the environment. Economic growth in India is also influenced by inflation, interest rates, external trade and capital flows. The level of inflation or depreciation of the Indian rupee may limit monetary easing or cause monetary tightening by the Reserve Bank of India. Any increase in inflation, due to increases in domestic food prices or global prices of commodities, including crude oil, the impact of currency depreciation on the prices of imported commodities and additional pass through of higher fuel prices to consumers, or otherwise, may result in a tightening of monetary policy. For instance, during fiscal 2014, in response to a rise in inflation from 9.1% in April 2013 to 11.5% in November 2013, the Reserve Bank of India progressively raised the repo rate by 75 basis points from 7.25% to 8.0% during May 2013-January 2014. The repo rate was thereafter maintained at the 8.0% level and then gradually reduced starting January 2015, with the latest reduction of 25 basis points to 6.5% in April 2016.

In fiscal 2015, the Reserve Bank of India entered into a monetary policy framework agreement with the government of India affirming a target of 8.0% consumer price index inflation by January 2015, 6.0% by January 2016 and 4.0% with a band of +/- 2% for later years to be pursued by the Reserve Bank of India. The consumer price index inflation rate reduced from 8.3% in March 2014 to 5.2% by January 2015 and to 5.7% in

January 2016. In June 2016, the Indian government notified amendments to the Reserve Bank of India Act, 1934, approved by the Indian parliament, for constituting a six-member Monetary Policy Committee comprising members from the Reserve Bank of India and the government, which would be responsible for inflation targets and monetary policy decisions. India has, in the past, experienced sustained periods of high inflation. A return to high rates of inflation with a resulting rise in interest rates, and any corresponding tightening of monetary policy may have an adverse effect on economic growth in India.

Adverse changes to global liquidity conditions, comparative interest rates and risk appetite could lead to significant capital outflows from India. For instance, due to concerns regarding withdrawal of quantitative easing in the U.S. in June 2013, India saw an outflow of foreign institutional investments from the debt market of about US\$7.5 billion during June-July 2013. Similarly, a slowdown in global growth may impact India's exports and, in the event of over-supply or sharp and sustained price reductions of globally traded commodities such as metals and minerals, may negatively impact our borrowers in these sectors.

A slowdown in the rate of growth in the Indian economy and adverse movements in global capital, commodity and other markets could result in lower demand for credit and other financial products and services, increased competition and higher defaults among corporate, retail and rural borrowers, which could adversely impact our business, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs.

***Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs.***

Although the proximate cause of the 2008-2009 financial crisis, which was deeper than other recent financial crises, was the U.S. residential mortgage market, investors should be aware that there is a recent history of financial crises and boom-bust cycles in multiple markets in both the emerging and developed economies which leads to risks for all financial institutions, including us. Developments in the Eurozone, including concerns regarding sovereign debt default and the United Kingdom's or any other nation's exit from the European Union, recessionary economic conditions and adoption of negative interest rates in key developed economies as well as concerns related to the impact of withdrawal of accommodative monetary policy in the U.S., may lead to increased risk aversion and volatility in global capital markets.

A loss of investor confidence in the financial systems of India or other markets and countries or any financial instability in India or any other market may cause increased volatility in the Indian financial markets and, directly or indirectly, adversely affect the Indian economy and financial sector, our business and our future financial performance. See also "*Risks Relating to Our Business—Our international operations increase the complexity of the risks that we face*". We remain subject to the risks posed by the indirect impact of adverse developments in the global economy and the global banking environment, some of which cannot be anticipated and the vast majority of which are not under our control. We also remain subject to counterparty risk to financial institutions that fail or are otherwise unable to meet their obligations to us.

In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last two years after the government of the United Kingdom formally initiates a withdrawal process. Nevertheless, the referendum has created uncertainty about the future relationship between the United Kingdom and the European Union, including with respect to the laws and regulations that will apply as the United Kingdom determines which European Union laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to increased calls for the governments of other European Union member states to consider withdrawal.

***Any downgrade of India's debt rating by an international rating agency could adversely affect our business, our liquidity and the price of our equity shares and ADSs.***

While Standard & Poor's, Moody's and Fitch currently have stable or positive outlooks on their sovereign rating for India, they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact our ratings. Rating agencies may also change their methodology for rating banks which may impact us. For instance, in April 2015, Moody's revised its bank rating methodology and the assessment of government support to banks, following which the rating of several banks globally were revised, including Indian banks. The Bank's senior unsecured debt rating was downgraded by one level to Baa3 following the methodology change. Any adverse revisions to India's credit ratings for domestic and international debt by international rating

agencies may adversely impact our business and limit our access to capital markets and adversely impact our liquidity position. The rating of our foreign branches is impacted by the sovereign rating of the country in which the branch is located, particularly if the rating is below India's rating. Any revision to the sovereign rating of the countries in which we operate to below India's rating could impact the rating of our foreign branch in the jurisdiction and the bonds issued from these branches. In February 2016, Standard & Poor's placed bonds issued by the Bahrain branches of two Indian banks, including ICICI Bank, on credit watch with negative implications following its lowering of the sovereign rating of Bahrain. In June 2016, Standard & Poor's removed the ratings on the Bank's senior bonds from credit watch and maintained the existing ratings based on the execution of an irrevocable standby letter of credit guaranteeing the bonds by our branch in the Dubai International Financial Centre. See also "*—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds*".

We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount to approximately 2% of our total borrowings at March 31, 2016. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we were not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan.

***A significant increase in the price of crude oil could adversely affect the Indian economy, which could adversely affect our business.***

India imports a majority of its requirements of petroleum oil and petroleum products, which comprised around 22% of total imports in fiscal 2016 compared to 31% of total imports in fiscal 2015. The government of India has deregulated prices and has been reducing the subsidy in respect of certain oil products, resulting in international crude prices having a greater effect on domestic oil prices. While global oil prices continued their decline during fiscal 2016, any increase or volatility in oil prices, as well as the impact of currency depreciation, which makes imports more expensive in local currency, and the pass-through of such increases to Indian consumers or an increase in subsidies (which would increase the fiscal deficit) could have a material adverse impact on the Indian economy and the Indian banking and financial system, including through a rise in inflation and market interest rates and higher trade and fiscal deficits. This could adversely affect our business including our liquidity, the quality of our assets, our financial performance, our stockholders' equity, our ability to implement our strategy and the price of our equity shares and ADSs.

***Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs.***

India's trade relationships with other countries and its trade deficit, may adversely affect Indian economic conditions and the exchange rate for the rupee. The current account deficit as a proportion of India's gross domestic product has improved significantly from a high of 4.7% in fiscal 2013 to 1.7% in fiscal 2014, 1.3% in fiscal 2015 and 1.1% in



fiscal 2016, which was driven primarily by the sharp decline in crude oil prices, measures to reduce gold imports and a slowdown in non-oil imports mainly due to subdued investments in the economy. Global economic conditions remained volatile on expectations of an increase in interest rates by the U.S. Federal Reserve, leading to a strengthening of the U.S. dollar against most currencies. From the beginning of fiscal 2013 through fiscal 2016, the rupee has decreased 30.4% against the U.S. dollar due to the volatility of international capital markets and the commencement of normalization of interest rates in the United States.

Increased volatility in capital flows due to changes in monetary policy in the United States or other economies or a reduction in risk appetite or increase in risk aversion among global investors and consequent reduction in global liquidity may impact the Indian economy and financial markets. For instance, during the first half of fiscal 2014, emerging markets including India witnessed significant capital outflows on account of concerns regarding the withdrawal of quantitative easing in the U.S. and other domestic structural factors such as the high current account deficit and lower growth outlook.

If the current account and trade deficits increase, or are no longer manageable because of factors impacting the trade deficit like a significant rise in global crude oil prices or otherwise, the Indian economy, and therefore our business, our financial performance, our stockholders' equity and the price of our equity shares and ADSs could be adversely affected. Any reduction of or increase in the volatility of capital flows may impact the Indian economy and financial markets and increase the complexity and uncertainty in monetary policy

decisions in India, leading to volatility in inflation and interest rates in India, which could also adversely impact our business, our financial performance, our stockholders' equity and the price of our equity shares and ADSs.

Further, any increased intervention in the foreign exchange market or other measures by the Reserve Bank of India to control the volatility of the exchange rate, may result in a decline in India's foreign exchange reserves and reduced liquidity and higher interest rates in the Indian economy, which could adversely affect our business, our future financial performance and the price of our equity shares and ADSs. A sharp depreciation in the exchange rate may also impact some corporate borrowers having foreign currency obligations that are not fully hedged. See also "*—Risks Relating to Our Business—We and our customers are exposed to fluctuations in foreign exchange rates*".

***Financial difficulty and other problems in the Indian financial system could adversely affect our business and the price of our equity shares and ADSs.***

As a large systemically important Indian bank, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as systemic risk, may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and adversely affect our business. Our transactions with these financial institutions expose us to credit risk in the event of default by the counterparty, which can be exacerbated during periods of market illiquidity. We were declared a systemically important bank in India by the Reserve Bank of India in August 2015. See also "*Overview of the Indian Financial Sector*".

As the Indian financial system operates in an emerging market, we face risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme. For example, in April 2003, unsubstantiated rumors alleged that we were facing liquidity problems. Although our liquidity position was sound, we witnessed higher than normal deposit withdrawals on account of these unsubstantiated rumors for a few days in April 2003. In 2008, following the bankruptcy of Lehman Brothers and the disclosure of our exposure to Lehman Brothers and other U.S. and European financial institutions, negative rumors circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal transaction levels on a few days. We controlled the situation in these instances, but any failure to control such situations in the future could result in high volumes of deposit withdrawals, which would adversely impact our liquidity position, disrupt our business and, in times of market stress, undermine our financial strength.

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the non-performing loans and

provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also “—*Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”. Similar developments in the future could adversely impact the financing of proposed investments by the corporate sector and negatively impact confidence in the financial sector.

There are also uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines, but, as a prudent matter, is permitted under Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these sectors.

***Natural calamities, climate change and health epidemics could adversely affect the Indian economy, or the economy of other countries where we operate, our business and the price of our equity shares and ADSs.***

India has experienced natural calamities such as earthquakes, floods and droughts in the past few years. The extent and severity of these natural disasters determine their impact on the Indian economy. In particular, climatic and weather conditions, such as the level and timing of monsoon rainfall, impact the agricultural sector, which constituted approximately 15.4% of India's value added in fiscal 2016. Prolonged spells of below or above normal rainfall or other natural calamities, or global or regional climate change, could adversely affect the Indian economy and our business, especially our rural portfolio. Similarly, global or regional climate change or natural calamities in other countries where we operate could affect the economies of those countries and our operations in those countries.

Health epidemics could also disrupt our business. In fiscal 2010, there were outbreaks of swine flu, caused by the H1N1 virus, in certain regions of the world, including India and several countries in which we operate. Any future outbreak of health epidemics may restrict the level of business activity in affected areas, which may in turn adversely affect our business and the price of our equity shares and ADSs could be adversely affected.

***A significant change in the Indian government's policies could adversely affect our business and the price of our equity shares and ADSs.***

Our business and customers are predominantly located in India or are related to and influenced by the Indian economy. The Indian government has traditionally exercised, and continues to exercise, a dominant influence over many aspects of the economy. Government policies could adversely affect business and economic conditions in India, our ability to implement our strategy and our future financial performance. Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector and encouraging the development of the Indian financial sector. While a single party achieved majority in the general elections in fiscal 2015, India has been governed by coalition governments in previous years. The leadership of India and the composition of the government are subject to change, and election results are sometimes not along expected lines. It is difficult to predict the economic policies that will be pursued by governments in the future. In addition, investments by the corporate sector in India may be impacted by government policies and decisions, including with respect to awards of licenses and resources, access to land and natural resources and policies with respect to protection of the environment. Such policies and decisions may result in delays in execution of projects, including those financed by us, and also limit new project investments, and thereby impact economic growth. The pace of economic liberalization could change, and specific laws and policies affecting banking and finance companies, foreign investment, currency exchange and other matters affecting investment in our securities could change as well. For instance, the government of India has proposed adopting a uniform goods and services tax structure in India, which may have an impact on the way in which we are taxed in the future. Any significant change in India's economic policies or any market volatility as a result of uncertainty surrounding India's macroeconomic policies or the future elections of its government could adversely affect business and economic conditions in India generally and our business in particular and the price of our equity shares and ADSs could be adversely affected.

*If regional hostilities, terrorist attacks or social unrest in India or elsewhere increase, our business and the price of our equity shares and ADSs could be adversely affected.*

India has from time to time experienced social and civil unrest and hostilities both internally and with neighboring countries. In the past, there have been military confrontations between India and Pakistan. India has also experienced terrorist attacks in some parts of the country, including in Mumbai, where our headquarters are located. In addition, geo-political events in the Middle East and Eastern Europe or terrorist or military action in other parts of the world may impact prices of key commodities, financial markets and trade and capital flows. These factors and any political or economic instability in India could adversely affect our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

### **Risks Relating to Our Business**

*If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer.*

If we are unable to adequately control or reduce the level of non-performing loans, the overall quality of our loan portfolio could deteriorate, our provisioning costs could increase, our net interest income and net interest margin could be negatively impacted due to non-accrual of income on non-performing loans, our credit ratings and liquidity may be adversely impacted, we may become subject to enhanced regulatory oversight and scrutiny, our reputation may be adversely impacted and our business, our future financial performance and the price of our equity shares and ADSs could be adversely impacted. See also “—*If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”.

Various factors, including a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, our regulators’ assessment and review of our loan portfolio, a sharp and sustained rise in interest rates, developments in the Indian economy, movements in global commodity markets and exchange rates and global competition, could cause an increase in the level of our non-performing assets and have a material adverse impact on the quality of our loan portfolio.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets,

these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans, into non-performing status during the second half of fiscal 2016. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. Our gross non-performing loans increased significantly from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as non-performing was Rs. 28.2 billion, and to borrowers whose loans were classified as restructured was Rs. 44.0 billion.

Our standard loan portfolio includes restructured standard loans, and the failure of these borrowers to perform as expected could result in such loans being classified as non-performing. In fiscal 2015 and fiscal 2016, we experienced a significant increase in downgrades of standard restructured loans to the non-performing category due to the failure of these borrowers to perform as expected as a result of the gradual domestic recovery, continued global economic challenges and the time being taken for the efforts to reduce corporate leverage to yield results. Further, the quality of our long-term project finance loan portfolio could be adversely impacted by several factors. Our loan portfolio includes project finance, corporate finance, and working capital loans to the infrastructure and related sectors, including power and construction, and commodity-based sectors such as coal and iron and steel, which are subject to global commodity price cycles. See also “—*Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks*”. In certain cases, we have extended loan facilities to clients based on collateral consisting of equity shares and any volatility in the capital markets may impact the value of such collateral. Economic and project implementation challenges, in India and overseas, and declines or volatility in commodity prices, could result in some of our borrowers not being able to meet their debt obligations, including debt obligations that have already been restructured, resulting in an increase in non-performing loans.

During fiscal 2016, increase in additions to non-performing loans impacted our net interest margin, as we do not accrue interest on non-performing loans. This is expected to continue to adversely impact our net interest margin in fiscal 2017 as well. If we continue to see an increase in our non-performing loans, our net interest margin would be further adversely impacted.

***If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer.***

If regulator including the Reserve Bank of India continues to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, the level of non-performing loans could increase, the overall quality of our loan portfolio could deteriorate, our credit ratings and liquidity may be adversely impacted, our reputation may be adversely impacted and our business, our future financial performance and the price of our equity shares and ADSs could be adversely impacted. See also “—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer”.

Banks in India are required to make provisions for all their loans by the Reserve Bank of India which controls the accounting treatment of reserves, unlike in the United States and European Union where a separate accounting standards body provides the guidelines for the accounting treatment in this area. The Reserve Bank of India has substantially expanded its guidance relating to the identification and classification of non-performing assets over the last two years, including articulating an objective of early and conservative recognition of stress and provisioning in the last six months of fiscal 2016, which have resulted in an increase in our loans classified as non-performing.

Effective April 1, 2014, the Reserve Bank of India issued guidelines which included a framework for early identification and resolution of stressed assets. The guidelines introduced an asset classification category of “special mention accounts”, which comprises cases that are not yet restructured or classified as non-performing but which exhibit early signs of stress, as determined by various parameters. Banks are also required to share data with each other on a category of special mention accounts, form joint lenders’ forums and devise action plans for the joint resolution of these accounts. Any failure to do so within stipulated timeframes results in accelerated provisioning for such cases. Resolution of stressed accounts could also include converting the loan dues, in their entirety or in part, to equity shares which may expose us to additional risks as shareholders. For large borrowers with aggregate borrowings of over Rs. 5.0 billion, a special structuring scheme has also been introduced providing a framework for separation of debt into sustainable and unsustainable portions for structuring, and allowing the existing promoter to continue with majority shareholding under specific conditions. This may expose us to additional risks particularly if large borrowers seek restructuring of their debt under this scheme.

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing loans increased significantly in the banking system during the second half of fiscal 2016 and our gross non-performing loans increased significantly from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Further, with regard to lending to large borrowers, the Reserve Bank of India has issued a discussion paper in May 2016 proposing higher provisioning on loans exceeding prescribed credit limits. Further, during fiscal 2016, the increase in additions to non-performing loans impacted our net interest margin, as we do not accrue interest on non-performing loans. This



is expected to continue to adversely impact our net interest margin in fiscal 2017 as well. If we continue to see an increase in our non-performing loans, our net interest margin would be further adversely impacted. The non-accrual of income on the higher level of non-performing loans or loans subjected to restructuring special structuring under applicable regulatory guidelines also negatively impacts our net interest income and net interest margin. See also “—*The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators*

*are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past”, “Business—Classification of Loans”, “Operating and Financial Review and Prospects” and “Supervision and Regulation—Loan Loss Provisions and Non-performing Assets—Asset Classification”.*

Banks in India are required to make provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. We make provisions on retail non-performing loans at the borrower level in accordance with the retail assets provisioning policy of the Bank, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement and make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks.

In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured loans and advances at rates prescribed by the Reserve Bank of India. Our provisions for standard assets decreased from Rs. 3.9 billion in fiscal 2015 to Rs. 3.2 billion in fiscal 2016. Our provisions for non-performing assets increased from Rs. 36.3 billion in fiscal 2015 to Rs. 77.2 billion in fiscal 2016, primarily due to an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the terms or restructuring. Our provisioning costs are expected to remain elevated in the near term.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At March 31, 2016, ICICI Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding borrowers classified as non-performing or restructured) was Rs. 119.6 billion (1.3% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, ICICI Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank's exposures to these sectors, we have made a collective contingency and related reserve of Rs. 36.0 billion at March 31, 2016 towards the Bank's exposure to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these and other sectors.

The Reserve Bank of India released a discussion paper on the dynamic loan loss provisioning framework in March 2012, with the objective of limiting the volatility in loan loss provisioning requirements witnessed during economic cycles. The framework proposed to replace existing general provisioning norms and recommended that banks make provisions on their loan books every year based on their historical loss experience in various categories of loans. In years where the specific provision is higher than the computed dynamic provision requirement, the existing dynamic provision balance can be drawn down to the extent of the difference, subject to a minimum specified level of dynamic

provision balance being retained.

From fiscal 2019, banks in India are expected to migrate to new accounting standards, Ind AS, which largely converges the Indian accounting standards with International Financial Reporting Standards. Further, banks migrating to the advanced measurement approach for operational risk and internal ratings-based approaches for credit risk under Basel II are required to follow the prescribed minimum loss given default levels for capital adequacy computation and treat restructured assets as non-performing assets for capital adequacy purposes. Compliance with these new standards may result in an increase in loans classified as non-performing and provisioning costs for banks, including us.

Our strategy going forward with respect to our loan portfolio comprises proactive monitoring of loan portfolios across businesses; improvement in the portfolio mix by focusing on retail lending and lending to higher-rated companies; reduction of concentration risk; and resolution of exposures through asset sales by borrowers, changes in management and working with stakeholders to ensure that companies are able to operate

at an optimal level and generate cash flows. There can be no assurance that we will be able to successfully implement our strategy and control or reduce the level of non-performing assets, or that our future recoveries on non-performing assets will be similar to our past experience of recoveries on non-performing assets.

***If our restructured borrowers fail to perform as expected and the loans to them are recategorized to the non-performing category, or if regulators continue to impose increasingly stringent requirements, our business will suffer.***

Our standard assets also include restructured standard loans. See also “*Business—Classification of Loans—Restructured Loans*”. In recent years, we have experienced a significant increase in the amount of standard restructured loans that were re-categorized to the non-performing category. The principal amount of such re-categorized loans increased from Rs. 7.3 billion in fiscal 2014 to Rs. 45.1 billion in fiscal 2015 and to Rs. 53.0 billion in fiscal 2016, due to the failure of some of our restructured borrowers to perform as expected and the Reserve Bank of India’s review of the loan portfolios of Indian banks. The performance of our restructured borrowers is dependent on various factors, including economic conditions, in India and globally, movements in global commodity markets and exchange rates, rise in interest rates, inflation and distress in certain sectors, in addition to regulatory change.

In November 2012, the Reserve Bank of India increased the general provisioning requirement on restructured standard accounts from 2.00% to 2.75%. Further, in May 2013, the Reserve Bank of India issued final guidelines on the restructuring of loans. Pursuant to the guidelines, loans that are restructured (other than due to delays in project implementation under certain conditions and up to specified periods) from April 1, 2015 onwards would be classified as non-performing. Further, the general provisioning requirement on standard restructured loans was increased for all incremental restructured loans from June 1, 2013 to 5.0% while the general provisioning requirement on the existing stock of standard restructured loans was increased in phases to 5.0% by year-end fiscal 2016. See also “*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Restructured loans*”. The Reserve Bank of India after holding discussions in the three months ended December 31, 2015 with a number of Indian banks, including us, has directed the other banks and us to make an additional provision of 10% in fiscal 2017 for certain restructured loan accounts. The total amount of such restructured loan accounts in our portfolio is approximately Rs. 35.8 billion. Our provisions for restructured loans decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016.

If regulators continue to impose increasingly stringent requirements, if there is a substantial increase in the level of restructured assets or assets subjected to the special structuring scheme permitted by the Reserve Bank of India, or if restructured borrowers fail to perform as expected, it could have a material adverse effect on our business, our future financial performance and the price of our equity shares and ADSs.

***The exposures of our international branches and subsidiaries or our exposure to the securities of reconstruction companies could generally affect our business, financial condition and results of operations.***

The loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (where permitted by regulation) as well as for their overseas ventures, including cross-border acquisitions. This exposes us to specific additional risks including the failure of the acquired entities to perform as expected, and our inexperience in various aspects of the economic and legal framework in overseas markets. See also “—*Our international operations increase the complexity of the risks that we face*”.

Further, the classification of the loan portfolio of our overseas branches and subsidiaries is also subject to the regulations of respective local regulators. Such loans that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant Reserve Bank of India guidelines, are classified as non-performing to the extent of the amount of outstanding loan in the host country. Any such classification may lead to an adverse impact on our business, our future financial performance and the price of our equity shares and ADSs.

We also have investments in security receipts arising from the sale of non-performing assets by us to Asset Reconstruction Company (India) Limited, a reconstruction company registered with the Reserve Bank of India and other reconstruction companies. See also “*Business—Classification of Loans*”. There can be no assurance that Asset Reconstruction Company (India) Limited and other reconstruction companies will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of

these investments. Any such inability to recover assets or redeem our investments without a diminution in value could generally affect our business, financial condition and results of operations.

***Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks.***

From fiscal 2008, the Indian banking sector experienced a significant increase in infrastructure sector loans. We expect long-term project finance to be an area of growth in our business over the medium to long-term, and the quality of this portfolio could be adversely impacted by several factors. The viability of these projects depends upon a number of factors, including market demand, government policies, the processes for awarding government licenses and access to natural resources and their subsequent judicial or other review, the financial condition of the government or other entities that are the primary customers for the output of such projects and the overall economic environment in India and the international markets. These projects are particularly vulnerable to a variety of risks, including risks of delays in regulatory approvals, environmental and social issues, completion risk and counterparty risk, which could adversely impact their ability to generate revenues. In the past, we have experienced a high level of default and restructuring in our industrial and manufacturing project finance loan portfolio as a result of the downturn in certain global commodity markets and increased competition in India. Our loans to the power sector were 6.0% of our gross loans at March 31, 2014, 5.8% at March 31, 2015 and 5.6% at March 31, 2016. Power projects face a variety of risks, including access to fuel such as coal and gas, and off-take of the power produced. For example, we are lenders to a large gas-based power plant in the state of Maharashtra which has been impacted by the non-availability of gas. Coal based power projects in India have experienced delays primarily due to environmental concerns around coal mining and the de-allocation of coal blocks allocated to companies. While the Indian government has commenced the auction of these de-allocated coal blocks, the commencement of operations and financial performance of projects linked to these coal blocks continues to be uncertain. In addition, power projects inherently have high leverage levels and volatility in capital markets and concerns about the implementation of these projects and their future cash flows may constrain the availability of equity funding for such projects. Any reduction in the output of operational power plants or the projected output of newly-commissioned or under-implementation power projects due to lower availability of fuel, higher fuel costs that cannot be passed through to purchasers and inability of state-owned power distribution utilities to purchase or pay for power due to their financial condition, or a decline in the price of power, may have an adverse impact on the financial condition of power producers and their ability to service their debt obligations, including to us. We cannot be sure that these projects will begin operations as scheduled or perform as anticipated. A change in the ownership and management of these projects could further delay the commencement of operations. We may see an increase in our non-performing assets or restructured assets in case of delays from the scheduled commercial date of operations of such projects, which are longer than that permitted by the Reserve Bank of India guidelines.

Our loan portfolio also includes project finance, corporate finance, and working capital loans to commodity-based sectors such as iron and steel and mining, which are subject to similar and additional risks, as well as global commodity price cycles. During fiscal 2016, due to a slowdown in global demand for steel, there was a sharp decline in global steel prices, which in turn impacted Indian steel companies. Capacity utilization of steel companies declined and profitability came under pressure. The Indian government announced certain policy measures, including a minimum price for procuring steel from overseas markets, which have benefited the Indian steel sector. However, we cannot be certain that these measures will continue to remain in place in the future or that there will be a significant improvement in the profitability of steel companies if global steel prices continue to remain weak. We may see an increase in non-performing assets in the event the profitability of steel companies continues to remain under pressure.

A slowdown in the Indian and global economy may exacerbate the risks for the projects that we have financed. Future project finance losses or high levels of loan restructuring could have a materially adverse effect on our profitability and the quality of our loan portfolio and the price of our equity shares and ADSs.

***We have a high concentration of loans to certain customers, borrower groups and sectors and if a substantial portion of these loans become non-performing, the overall quality of our loan portfolio, our business and the price of our equity shares and ADSs could be adversely affected.***

Our loan portfolio and non-performing asset portfolio have a high concentration in certain types of customers. ICICI Bank's policy is to limit its exposure to any particular industry (other than retail loans) to 15.0% of its total exposure. Our loans and advances to the retail finance segment constituted 46.8% of our gross loans and advances at March 31, 2016. Our loans and advances to (i) the infrastructure sector (excluding power), (ii) the

power sector, (iii) the non-finance services sector, and (iv) the iron and steel sector, constituted 5.6%, 5.6%, 5.5% and 5.3%, respectively, of our gross loans and advances at year-end fiscal 2016.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. At March 31, 2016, ICICI Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade in these sectors (excluding borrowers classified as non-performing or restructured) was Rs. 119.60 billion (1.3% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, ICICI Bank's exposure to promoter entities where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). In view of the uncertainties relating to these sectors and the time that it may take to resolve our exposures to these sectors, we made a collective contingency and related reserve of Rs. 36.0 billion at March 31, 2016 towards the Bank's exposure to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under Reserve Bank of India guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these and other sectors. See also "*—Our loan portfolio includes long-term project finance loans, which are particularly vulnerable to completion and other risks*".

Pursuant to the guidelines of the Reserve Bank of India, the Bank's credit exposure to an individual borrower must not exceed 15.0% of its capital funds, unless the exposure is with regards to an infrastructure project. Capital funds refer to Tier 1 and Tier 2 capital after regulatory adjustments as per the Reserve Bank of India guideline 'Master Circular - Basel III Capital Regulations'. ICICI Bank's exposure to a group of companies under the same management control generally must not exceed 40.0% of its capital funds unless the exposure is towards an infrastructure project, as per the Reserve Bank of India guidelines. Banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., aggregate exposure can be 20.0% of capital funds for an individual borrower and aggregate exposure can be 45.0% of capital funds for a group of companies under the same management). At year-end fiscal 2016, our largest non-bank borrower accounted for approximately 14.6% of our capital funds. The largest group of companies under the same management control accounted for approximately 30.4% of our capital funds. At year-end fiscal 2016, the Bank's exposure to its 20 largest borrowers (including banks) was approximately 14.3% of our total exposure, and our credit exposure to our 20 largest borrowers (including banks) was approximately 14.6% of the Bank's total credit exposure.

Our strategy going forward with respect to our loan portfolio comprises proactive monitoring of loan portfolios across businesses; improvement in the portfolio mix by focusing on retail lending and lending to higher-rated companies; reduction of concentration risk; and resolution of exposures through asset sales by borrowers, changes in management and working with stakeholders to ensure that companies are able to operate at an optimal level and generate cash flows. We have created a framework for managing concentration risk which specifies various single borrower and group exposure thresholds and the authorization matrix that must be followed in case exposures exceed the stipulated thresholds. There can be no assurance that we will be able to successfully implement our strategy and control or reduce the level of concentration.



In March 2015, the Reserve Bank of India released a discussion paper on a framework for large exposures and has proposed limits on exposure of banks based on group of connected counterparties identified on the basis of economic inter-dependence of the companies. In May 2016, the Reserve Bank of India issued another discussion paper proposing limits on the aggregate exposure of the banking system to large borrowers, with lending beyond the specified limits attracting higher risk weights and provisioning. These guidelines, and our focus on controlling and reducing concentration risk, may restrict our ability to grow our business with some customers, and require us to reduce our exposure to some groups. See also “*Business—Loan Portfolio—Loan Concentration*”.

***Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance.***

Interest rates in India are impacted by a range of factors including inflation, fiscal deficit and government borrowing, monetary policy and market liquidity. For instance, in July 2013, with a view to manage the volatility in the exchange rate, the Reserve Bank of India introduced measures to reduce liquidity in the Indian banking system and increase the cost of borrowing from the Reserve Bank of India.

As a result of certain reserve requirements of the Reserve Bank of India, we are more structurally exposed to interest rate risk than banks in many other countries. See also “*Supervision and Regulation—Legal Reserve Requirements*”. These requirements result in our maintaining a large portfolio of fixed income government of India securities, and we could be materially adversely impacted by a rise in interest rates, especially if the rise were sudden or sharp. Realized and marked-to-market gains or losses on investments in fixed income securities, including government of India securities, are an important element of our profitability and are impacted by movements in market yields. A rise in yields on government securities reduces our profits from this activity and the value of our fixed income portfolio. These requirements also have a negative impact on our net interest income and net interest margin because we earn interest on a portion of our assets at rates that are generally less favorable than those typically received on our other interest-earning assets. We are also exposed to interest rate risk through our treasury operations as well as the operations of certain of our subsidiaries, including ICICI Lombard General Insurance Company, which has a portfolio of fixed income securities, and ICICI Securities Primary Dealership, which is a primary dealer in government of India securities. In our asset management business, we manage money market mutual funds whose performance is impacted by a rise in interest rates, which adversely impacts our revenues and profits from this business. See also “—*Risks Relating to India and Other Economic and Market Risks—A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer*” and “—*Risks Relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs*”.

If the yield on our interest-earning assets does not increase at the same time or to the same extent as our cost of funds, or if our cost of funds does not decline at the same time or to the same extent as the decrease in yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted. Any systemic decline in low cost funding available to banks in the form of current and savings account deposits would adversely impact our net interest margin. The Reserve Bank of India has deregulated the interest rate on savings deposits, following which some of the smaller banks in India are offering higher interest rates on their savings deposit accounts. If other banks with whom we compete similarly raise their savings account deposit rates, we may also have to do so to remain competitive and this would adversely impact our cost of funds. In December 2015, the Reserve Bank of India released guidelines on computation of lending rates based on the marginal cost of funds methodology which is applicable on incremental lending from April 1, 2016. This change in the methodology for calculating cost of funds led to lower lending rates, and may lead to more frequent revisions in lending rates due to the prescribed monthly review of cost of funds. See also “*Business—Loan Portfolio—Loan Pricing*” and “*Supervision and Regulation—Regulations Relating to Advancing Loans*”. This may impact the yield on our interest-earning assets, our net interest income and net interest margin. Earlier, banks were not permitted to extend fixed rate loans at a rate of interest lower than the base rate. This restriction no longer applies to fixed rate loans of tenor above three years under the new guideline, and competition among lenders may lead to lower lending rates and result in reduced net interest income. If there are increases in our cost of funds and if we are unable to pass on the increases fully into our lending rates, our net interest margins and profitability would be adversely impacted. Further, any tightening of liquidity and volatility in international markets may limit our access to international bond markets and result in an increase in our cost of funding for our international business. Continued volatility in international markets could constrain and increase the cost of our international market borrowings and our ability to replace maturing borrowings and fund new assets. Our overseas banking subsidiaries are also exposed to similar risks.

High and increasing interest rates or greater interest rate volatility would adversely affect our ability to grow, our net interest margins, our net interest income, our income from treasury operations and the value of our fixed income securities portfolio.

*We are subject to the directed lending requirements of the Reserve Bank of India, and any shortfall in achieving these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability. We may also experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our equity shares and ADSs.*

Under the directed lending norms of the Reserve Bank of India, banks in India are required to lend 40.0% of their adjusted net bank credit to certain eligible sectors, categorized as priority sectors. Of this, banks have sub-targets for lending to key sectors. A proportion of 18.0% of adjusted net bank credit is required to be lent to the agricultural sector. The norms applicable up to and including fiscal 2015 required 18.0% of adjusted net bank credit lent to the agriculture sector to include direct agricultural advances of at least 13.5% and indirect agricultural advances of not more than 4.5%. Direct agricultural advances include loans made directly to individual farmers or groups of individual farmers for agriculture and related activities. Indirect agricultural advances include loans for purposes linked to agriculture, such as loans to food and agri-processing units, finance for hire-purchase schemes for distribution of agricultural machinery and implements, financing farmers indirectly through the co-operative system and loans for the construction and operation of storage facilities. Loans to identified weaker sections of society must comprise 10.0% of adjusted net bank credit. These requirements were to be met as of the last reporting Friday of the fiscal year with reference to the adjusted net bank credit of the previous fiscal year till fiscal 2016. From fiscal 2017, the requirement is assessed on a quarterly basis. These requirements apply to ICICI Bank on a standalone basis.

The Reserve Bank of India issued revised directed lending norms applicable from fiscal 2016 onwards. The sub-targets for direct and indirect lending to agriculture have been combined. Two new sub-targets, a target of 8.0% of adjusted net bank credit to small and marginal farmers and a 7.5% lending target to micro-enterprises, have been introduced and apply in a phased manner over fiscal 2016 and fiscal 2017. The balance of the priority sector lending requirement can be met by lending to a range of sectors, including small businesses, medium enterprises, renewable energy, social infrastructure and residential mortgages satisfying certain criteria. The target for lending to weaker sections continues to be at 10% of adjusted net bank credit. At March 31, 2016, ICICI Bank's priority sector lending was Rs. 1,311.9 billion, constituting about 101.9% of the priority sector lending target. At March 31, 2016, the Bank's agriculture lending constituted 17.0% of adjusted net bank credit against a requirement of 18.0%, lending to small and marginal farmers constituted 3.9% of adjusted net bank credit and lending to micro enterprises and "weaker section" categories constituted 6.8% and 6.3% respectively. From fiscal 2017, priority sector lending achievements would be evaluated on a quarterly average basis and not just at the fiscal year-end. Further, in July 2015, the Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India is expected to notify the banks of the banking system's average level at the beginning of each year. The target for fiscal 2016 was 11.57% of adjusted net bank credit, against which the level achieved by the Bank was 8.1%. The Reserve Bank of India has also directed banks to continue to pursue the target of 13.5% of adjusted net bank credit towards lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

The Reserve Bank of India has from time to time issued guidelines on priority sector lending requirements that restrict the ability of banks to meet the directed lending obligations through lending to specialized financial intermediaries, specified criteria to be fulfilled for investments by banks in securitized assets and outright purchases of loans and assignments to be eligible for classification as priority sector lending and regulate the interest rates charged to ultimate borrowers by the originating entities in such transactions. In September 2013, the Reserve Bank of India set up a committee on comprehensive financial services for small businesses and low income households which, among other recommendations, proposed a new methodology for computation of priority sector targets based on district-level credit penetration and other criteria. This recommendation has not been implemented thus far.

Any shortfall in meeting the priority sector lending requirements may be required to be invested in Government schemes that yield low returns, determined depending on the prevailing bank rate and on the level of shortfall, thereby

impacting our profitability. The aggregate amount of funding required by such schemes is drawn from banks that have shortfalls in achievement of their priority sector lending targets, with the amounts drawn from each bank determined by the Reserve Bank of India. At March 31, 2016 our total investments in such schemes on account of past shortfalls in achieving the required level of priority sector lending were Rs. 280.7 billion. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding mandated investments in Government schemes at March 31 of the fiscal year to be treated as part of indirect agriculture and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. These changes were made effective fiscal 2014. The Reserve Bank of India has proposed a scheme to sell and purchase priority sector lending certificates among banks in the event of excess/shortfall in meeting priority sector targets, which may help in reducing the shortfall in priority sector lending. However, this would depend on the availability of such certificates for trading. Our

investments in Government schemes are expected to increase in view of the continuing shortfall in agriculture lending sub-targets and weaker section loans. See also “*Supervision and Regulation—Directed lending*”.

As a result of priority sector lending requirements, we may experience a higher level of non-performing assets in our directed lending portfolio, particularly due to loans to the agricultural sector and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. The Bank’s gross non-performing assets in the priority sector loan portfolio were 2.3% in fiscal 2014, 2.1% in fiscal 2015 and 2.2% in fiscal 2016. Any future changes by the Reserve Bank of India to the directed lending norms may result in our continued inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

In addition to the directed lending requirements, the Reserve Bank of India has mandated banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centers and to customers who currently do not have access to banking services. Further, since August 2014, the Indian government has launched a financial inclusion mission which involves opening a bank account for every household along with credit and insurance facilities. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centers and from these customers, and the level of non-performing loans in the portfolio of loans to such customers.

***We have seen a significant increase in our branch network over the last few years and any inability to use these branches productively or substantial delays in achieving desired levels of productivity may have an adverse impact on our growth and profitability.***

The branch network of ICICI Bank in India has increased from 3,100 branches at year-end fiscal 2013 to 4,450 branches at year-end fiscal 2016. See also “—*We may seek opportunities for growth through acquisitions, divest our existing businesses, or be required to undertake mergers by the Reserve Bank of India and could face integration and other acquisitions risks*”. We have also substantially scaled up our branch network in rural and semi-urban areas and have also established low-cost branches in centers in the country having no bank presence. Our new branches typically operate at lower productivity levels, as compared to our existing branches. Our operating performance depends also on the productivity of our employees. Any inability to achieve or substantial delays in achieving desired levels of productivity would have an adverse impact on our growth and profitability and the price of our equity shares and ADSs.

***We are subject to capital adequacy and liquidity requirements stipulated by the Reserve Bank of India, including Basel III, and any inability to maintain adequate capital or liquidity due to changes in regulations, a lack of access to capital markets, or otherwise may impact our ability to grow and support our businesses.***

With effect from April 1, 2013, banks in India commenced implementation of the Basel III capital adequacy framework as stipulated by the Reserve Bank of India. The Basel III guidelines, among other things, establish common equity Tier 1 as a new tier of capital; impose a minimum common equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% while retaining the minimum total risk-based capital ratio of 9.0%; require banks to maintain a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; establish new eligibility criteria for capital instruments in each tier of regulatory capital; require more stringent adjustments to and deductions from regulatory capital; provide for more limited recognition of minority interests in the regulatory capital of a consolidated banking group; impose a 4.5% Basel III leverage ratio of Tier 1 capital to exposure during a parallel run period from 2013 to 2017; and modify the Reserve Bank of India's Basel II guidelines with respect to credit risk, including counterparty credit risk and credit risk mitigation, and market risk. The guidelines are to be fully implemented by year-end fiscal 2019. Applying the Basel III guidelines, our capital ratios on a consolidated basis at March 31, 2016 were: common equity Tier 1 risk-based capital ratio of 12.9%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%.

The capital regulations continue to evolve, both globally and in India. The Reserve Bank of India requires additional capital to be held by banks as a systemic buffer. For instance, in July 2014, the Reserve Bank of India issued guidelines requiring additional common equity Tier 1 capital requirements ranging from 0.2% to 0.8% of risk-weighted assets for domestic banks that are identified as systemically important. The systemic importance of a bank would be determined based on the size, inter-connectedness, substitutability and complexity of the bank, with a larger weightage given to size. We were declared a systemically important bank in India by the

Reserve Bank of India in August 2015 and placed in the first bucket which requires us to maintain additional common equity Tier 1 capital of 0.2% in a phased manner from April 1, 2016. Further, the Reserve Bank of India also released guidelines on implementation of counter-cyclical capital buffers which propose higher capital requirements for banks, ranging from 0% to 2.5% of risk-weighted assets, during periods of high economic growth. The capital requirement would be determined based on certain triggers such as deviation of long-term average credit-to-GDP ratio and other indicators. While these guidelines are already effective, the Reserve Bank of India has stated that current economic conditions do not warrant activation of the counter-cyclical capital buffer. In addition, with the approval of the Reserve Bank of India, banks in India may migrate to advanced approaches for calculating risk-based capital requirements in the medium term. These evolving regulations may impact the amount of capital that we are required to hold. Our ability to grow our business and execute our strategy is dependent on our level of capitalization and we typically raise resources from the capital markets to meet our capital requirements.

In December 2013, the Reserve Bank of India issued guidelines on stress testing according to which banks have to carry out stress tests for credit risk and market risk to assess their ability to withstand shocks. Banks are classified into three categories based on size of risk-weighted assets and banks with risk-weighted assets of more than Rs. 2,000.0 billion are required to carry out complex and severe stress testing.

In June 2014, the Reserve Bank of India released guidelines on liquidity coverage ratio requirements under the Basel III liquidity framework. These guidelines require banks to maintain and report the Basel III liquidity coverage ratio, which is a ratio of the stock of high quality liquid assets and total net cash outflows over the next 30 calendar days. The Reserve Bank of India has also defined categories of assets qualifying as high quality liquid assets and mandated a minimum liquidity coverage ratio of 60.0% from January 1, 2015, which would be increased in a phased manner to a minimum of 100.0% from January 1, 2019. The Reserve Bank of India has also issued a leverage ratio framework which is effective from April 1, 2015 and is measured as the ratio of a bank's Tier 1 capital and total exposure. Further, the Reserve Bank of India has issued draft guidelines on the net stable funding ratio for banks which is expected to be applicable from January 1, 2018 and would require banks to maintain sufficient funds that are considered as reliable to cover the liquidity requirements and asset maturities coming up over the next one year on an ongoing basis. These requirements together with the existing liquidity and cash reserve requirements may result in Indian banks, including us, holding higher amounts of liquidity, thereby impacting profitability.

Any reduction in our regulatory capital ratios, increase in liquidity requirements applicable to us on account of regulatory changes or otherwise, changes in the composition of liquidity and any inability to access capital markets may limit our ability to grow our business, impact our profitability and our future performance and strategy.

***Our risk profile is linked to the Indian economy and the banking and financial markets in India which are still evolving.***

Our credit risk may be higher than the credit risk of banks in some developed economies. Unlike several developed economies, a nation-wide credit bureau only became operational in India in 2000. This may limit the information available to us about the credit history of our borrowers, especially individuals and small businesses. In addition, the



credit risk of our borrowers is often higher than borrowers in more developed economies due to the evolving Indian regulatory, political, economic and industrial environment. The directed lending norms of the Reserve Bank of India require us to lend a certain proportion of our loans to “priority sectors”, including agriculture and small enterprises, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. Any shortfall may be required to be allocated to investments yielding sub-market returns. See also “—*We are subject to the directed lending requirements of the Reserve Bank of India, and any shortfall in achieving these requirements may be required to be invested in Government schemes that yield low returns, thereby impacting our profitability. We may also experience a higher level of non-performing assets in our directed lending portfolio, which could adversely impact the quality of our loan portfolio, our business and the price of our equity shares and ADSs*” and “*Business—Loan Portfolio—Directed Lending*”. Several of our corporate borrowers have suffered from low profitability because of increased competition from economic liberalization, a sharp decline in commodity prices, high debt burden and high interest rates in the Indian economy, and other factors. An economic slowdown and a general decline in business activity in India could impose further stress on these borrowers’ financial soundness and profitability and thus expose us to increased credit risk. For instance, developments in the Indian economy have led to a rise in non-performing and restructured assets of Indian banks, including us, since fiscal 2014. Such conditions may lead to an increase in the level of our non-performing assets and there

could be an adverse impact on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

In addition to credit risks, we also face additional risks as compared with banks in developed economies. We pursue our banking, insurance and other activities in India in a developing economy with all of the risks that come with such an economy. Our activities in India are widespread and diverse and involve employees, contractors, counterparties and customers with widely varying levels of education, financial sophistication and wealth. Although we seek to implement policies and procedures to reduce and manage marketplace risks as well as risks within our own organization, some risks remain inherent in doing business in a large, developing country. We cannot eliminate these marketplace and operational risks, which may lead to legal or regulatory actions, negative publicity or other developments that could reduce our profitability. In the aftermath of the financial crisis, regulatory scrutiny of these risks is increasing. See also “—*The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss*”.

***The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past.***

We are subject to a wide variety of banking, insurance and financial services laws, regulations and regulatory policies and a large number of regulatory and enforcement authorities in each of the jurisdictions in which we operate. Since the global financial crisis, regulators in India and in the other jurisdictions in which we operate have intensified their review, supervision and scrutiny of many financial institutions, including us. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past, in a range of areas. This increased review and scrutiny or any changes in the existing regulatory supervision framework, increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that all regulators will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy and management functioning, other measures of the safety and soundness of our operations or compliance with applicable laws, regulations, accounting and taxation norms or regulatory policies. See also “—*If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”. Regulators may find that we are not in compliance with applicable laws, regulations, accounting and taxation norms or regulatory policies, or with the regulators' revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Such formal or informal actions might force us to make additional provisions for our non-performing assets or otherwise, divest our assets, adopt new compliance programs or policies, remove personnel, reduce dividend or executive compensation or undertake other changes to our business operations. Any of these changes, if required, could reduce our profitability by restricting our operations, imposing new costs or harming our reputation. See also “—*The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*” and “*Supervision and Regulation*”.

Our banking subsidiaries in the United Kingdom and Canada have in the past focused primarily on leveraging their deposit franchises in these markets to extend financing to Indian companies for their operations in India and globally, including the financing of overseas acquisitions by Indian companies through structured transactions. In view of regulatory limitations on cross-border financing of this nature, these subsidiaries have experienced a reduction in their business, impacting their profitability and resulting in a sharp reduction in the return on the capital invested in these businesses. While both these subsidiaries are focused on growing their business within the current regulatory framework, the opportunities to do so may be limited. Further, while both these subsidiaries are focused on optimizing their capital base and have repatriated capital and made dividend payments to ICICI Bank in the recent past, such initiatives are subject to regulatory approvals. There can be no assurance regarding the timing or grant of such approvals in the future. Our overseas branches are also subject to respective local regulatory requirements, including any requirements related to liquidity, capital and asset classification and provisioning.

In addition to oversight by the Reserve Bank of India, our insurance subsidiaries are also subject to extensive regulation and supervision by India's insurance regulators. The Insurance Regulatory and Development Authority of India has the authority to modify and interpret regulations regarding the insurance industry, including regulations governing products, selling commissions, solvency margins and reserving, which

can lead to additional costs or restrictions on our insurance subsidiaries' activities. Similarly, our asset management subsidiary is subject to supervision and regulation by the Securities and Exchange Board of India.

Failure to comply with applicable regulations in various jurisdictions, including unauthorized actions by employees, representatives, agents and third parties, suspected or perceived failures and media reports, and ensuing inquiries or investigations by regulatory and enforcement authorities, has resulted, and may result in the future, in regulatory actions, including financial penalties and restrictions on or suspension of the related business operations. Following the release on the Internet in March 2013 of videos forming part of a sting operation on banks and insurance companies in India that purported to show the Bank's frontline branch employees engaging in conversations that would violate our Group's Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and 'know-your-customer' norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India imposed an aggregate penalty of Rs. 665 million (US\$10.0 million) on 31 Indian banks, including Rs. 10 million (US\$ 0.2 million) on ICICI Bank, for instances of violation of applicable regulations, which we have paid. A penalty of Rs. 1.4 million was also imposed on the Bank in February 2015 by the Financial Intelligence Unit, India, for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. We have filed an appeal against the penalty. Although we have not received any formal notice of investigation, there can be no assurance that these incidents will not be the subject of further investigation by the regulatory authorities, including the tax enforcement authorities.

In addition, a failure to comply with the applicable regulations in various jurisdictions by our employees, representatives, agents and third-party service providers either in or outside the course of their services, or suspected or perceived failures by them, may result in inquiries or investigations by regulatory and enforcement authorities and in regulatory or enforcement action against either us, or such employees, representatives, agents and third-party service providers. Such actions may impact our reputation, result in adverse media reports, lead to increased or enhanced regulatory or supervisory concerns, cause us to incur additional costs, penalties, claims and expenses or impact adversely our ability to conduct business.

If we fail to manage our legal and regulatory risk in the many jurisdictions in which we operate, our business could suffer, our reputation could be harmed and we would be subject to additional legal and regulatory risks. This could, in turn, increase the size and number of claims and damages asserted against us and/or subject us to regulatory investigations, enforcement actions or other proceedings, or lead to increased supervisory concerns. We may also be required to spend additional time and resources on remedial measures, which could have an adverse effect on our business.

Despite our best efforts to comply with all applicable regulations, there are a number of risks that cannot be completely controlled. Our international expansion has led to increased legal and regulatory risks. Regulators in every jurisdiction in which we operate or have listed our securities have the power to restrict our operations, stipulate higher capital and liquidity requirements or bring administrative or judicial proceedings against us (or our employees, representatives, agents and third-party service providers), which could result, among other things, in suspension or revocation of one or more of our licenses, cease and desist orders, fines, civil penalties, criminal penalties or other disciplinary action which could materially harm our reputation, results of operations and financial condition.

We cannot predict the timing or form of any current or future regulatory or law enforcement initiatives, which are increasingly common for international banks and financial institutions, but we would expect to cooperate with any such regulatory investigation or proceeding.

***The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss.***

A substantial portion of our loans to corporate and retail customers is secured by collateral. See also “*Business—Classification of Loans—Non-Performing Asset Strategy*”. Changes in asset prices may cause the value of our collateral to decline, and we may not be able to realize the full value of our collateral as a result of delays in bankruptcy and foreclosure proceedings, delays in the creation of security interests, defects or deficiencies in the perfection of collateral (including due to inability to obtain approvals that may be required from various persons, agencies or authorities), fraudulent transfers by borrowers and other factors, including

depreciation in the value of the collateral and illiquid market for disposal of and volatility in the market prices for the collateral, current legislative provisions or changes thereto and past or future judicial pronouncements.

In India, foreclosure on collateral consisting of property can be undertaken directly by lenders by fulfilling certain procedures and requirements (unless challenged in courts of law) or otherwise by a written petition to an Indian court or tribunal. An application, when made (or a legal challenge to the foreclosure undertaken directly), may be subject to delays or administrative requirements that may result in, or be accompanied by, a decrease in the value of collateral. These delays can last for several years and might lead to deterioration in the physical condition or market value of the collateral. In the event a corporate borrower is in financial difficulty and unable to sustain itself, it may opt for the process of voluntary winding up. If a company becomes a “sick unit” (as defined under Indian law, which provides for a unit to be so categorized based on the extent of its accumulated losses relative to its stockholders’ equity), foreclosure and enforceability of collateral is stayed. In some cases, we may repossess collateral in lieu of principal and interest dues but may experience delays in liquidating the collateral. While the Indian parliament has approved legislation introducing a new Insolvency and Bankruptcy Code, there are uncertainties in respect of the timing of its implementation and its impact on recovery of dues by lenders.

In addition, for collateral we hold in jurisdictions outside India, the applicable laws and regulations in such jurisdictions may impact our ability to foreclose on collateral and realize its value. Failure to recover the expected value of collateral could expose us to potential losses, which could adversely affect our future financial performance, our stockholders’ equity and the price of our equity shares and ADSs.

***We depend on the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports of their independent auditors. For example, in deciding whether to extend credit, we may assume that a customer’s audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Our financial condition and results of operations could be negatively affected by relying on financial statements that do not comply with generally accepted accounting principles or other information that is materially misleading. In addition, unlike several developed economies, a nationwide credit bureau has only recently built up its database in India. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a result, our ability to effectively manage our credit risk may be adversely affected.

***Commission, exchange and brokerage income and profit on foreign exchange transactions are important elements of our profitability, and regulatory changes and market conditions could cause these income streams to decline and adversely impact our financial performance.***

We earn commission, exchange and brokerage income from a variety of activities, including loan processing, syndication and advisory services for corporate clients with respect to their acquisition and project financing, distribution of retail investment and insurance products, transaction banking and retail credit products. Our commission, exchange and brokerage income is therefore impacted by the level of corporate activity including new financing proposals, the demand for retail financial products and the overall level of economic and trade activity. Our commission, exchange and brokerage income is also impacted by applicable regulations governing various products and segments of financial services and changes in these regulations may adversely impact our ability to grow in this area. For example, in May 2014, the Reserve Bank of India directed banks to remove foreclosure charges on floating rate term loans given to individual borrowers and were prohibited from levying a penalty for non-maintenance of minimum balance in inoperative accounts. The securities regulator has issued regulations restricting charges that may be levied on depositary accounts. The profit on foreign exchange transactions is dependent on foreign exchange market conditions and the risk management strategies of corporate clients. Volatile market conditions may also have an adverse impact on mergers and acquisitions activity by Indian companies, affecting our fee and other incomes related to such activity. Since fiscal 2012, we have witnessed a moderation in growth in our commission, exchange and brokerage income, primarily due to the decline in corporate investment activity and new financing proposals. Various factors could adversely impact our fee income streams in the future and adversely affect our financial performance.

***Our international operations increase the complexity of the risks that we face.***

Our international profile in multiple jurisdictions exposes us to a variety of regulatory and business challenges and risks, including cross-cultural risk and has increased the complexity of our risks in a number of areas including price risks, currency risks, interest rate risks, compliance risk, regulatory and reputational risk and operational risk. In the aftermath of the financial crisis and in light of enhanced regulations in many countries, we expect to face additional scrutiny in all of these areas and in the management of our international operations. There could be risks arising from political changes in the jurisdictions in which we operate, such as the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum in June 2016. We also face risks arising from our ability to manage inconsistent legal and regulatory requirements in the multiple jurisdictions in which we operate. Our businesses are subject to changes in legal and regulatory requirements and it may not be possible to predict the timing or nature of such changes. Business opportunities in these jurisdictions will also determine the growth in our operations.

The loan portfolio of our international branches and subsidiaries includes foreign currency loans to Indian companies for their Indian operations (as permitted by regulation) as well as for their overseas ventures, including cross-border acquisitions. This exposes us to specific additional risks including the failure of the acquired entities to perform as expected, and our inexperience in various aspects of the economic and legal framework in overseas markets. Regulatory changes globally and in specific markets, including increased regulatory oversight following the global financial crisis, may impact our ability to execute our strategy and deliver returns on capital invested in our international subsidiaries. Our banking subsidiaries in the United Kingdom and Canada have in the past focused primarily on leveraging their deposit franchises in these markets to extend financing to Indian companies for their operations in India and globally, including the financing of overseas acquisitions by Indian companies through structured transactions. In view of the position taken by these subsidiaries' respective regulators in connection with cross-border risk and exposure concentration, these subsidiaries have reduced their business volumes, resulting in a high level of capital relative to assets in ICICI Bank Canada and impacting the return on the capital invested by ICICI Bank in these subsidiaries. While these subsidiaries are focused on growing their business within the current regulatory framework, the opportunities to do so may be limited. Further, while we are seeking to rationalize the capital invested in our overseas banking subsidiaries and these subsidiaries have repatriated a part of their excess capital to ICICI Bank, there can be no assurance that we will be able to achieve further capital rationalization through repatriation or otherwise. Further, recent global developments including decline in crude oil prices and the United Kingdom's decision to exit from the European Union are expected to slow down economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries. See also "*—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*" and "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Our overseas branches and banking subsidiaries undertake select local banking businesses, including lending to multinational and local corporations, small businesses, property backed lending and insured mortgages, which may be impacted by global and local economic conditions. They have also made investments in bonds, certificates of deposits, mortgage backed securities, treasury bills, credit derivatives and asset-backed commercial paper. The global financial and economic crisis resulted in mark-to-market and realized losses on our overseas and other subsidiaries' investment and derivative portfolios, increased the regulatory scrutiny of our international operations, constrained our international debt capital market borrowings and increased our cost of funding. If we are unable to manage these risks, our business would be adversely affected.



***Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected.***

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including deposits from corporate customers and interbank deposits. Our customer deposits generally have a maturity of less than one year. However, a large portion of our assets have medium-or long-term maturities, creating the potential for funding mismatches. For example, our project finance loans typically have longer-term maturities compared to our funding profile. Our ability to raise fresh deposits and grow our deposit base depends in part on our ability to expand our network of branches, which in the past required the prior approval of the Reserve Bank of India. We have recently significantly expanded our branch network pursuant to the Reserve Bank of India's authorizations for establishing new branches, and the Reserve Bank of India has also permitted banks to freely open new branches subject to certain conditions since September 2013. See also "*Supervision and Regulation—Regulations Relating to the Opening of Branches*". Our new branches

typically operate at lower efficiency levels, as compared to our existing branches, and although we intend to increase their efficiency over time, any inability to use these branches productively, or substantial delays in achieving desired levels of productivity, may have an impact on our ability to grow our deposit base to the desired extent.

In 2008, following the bankruptcy of Lehman Brothers and the disclosure of our exposure to Lehman Brothers and other U.S. and European financial institutions, negative rumors were circulated about our financial position which resulted in concerns being expressed by depositors and higher than normal transaction levels on a few days. Furthermore, a part of our loan and investment portfolio, consisting primarily of the loan and investment portfolios of our international branches and subsidiaries is denominated in foreign currencies, including the U.S. dollar. Our international branches are primarily funded by debt capital market issuances and syndicated/bilateral loans, while our international subsidiaries generally raise deposits in their local markets. We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount to approximately 2% of our total borrowings at March 31, 2016. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we are not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan. Volatility in the international debt markets may constrain our international capital market borrowings. There can be no assurance that our international branches and subsidiaries will be able to obtain funding from the international debt markets or other sources in a timely manner on terms acceptable to them or at all. This may adversely impact our ability to replace maturing borrowings and fund new assets. In addition, borrowers who have taken foreign currency loans from us may face challenges in meeting their repayment obligations on account of market conditions and currency movements. See also "*—Risks Relating to India and Other Economic and Market Risks—Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs*", "*—Risks Relating to India and Other Economic and Market Risks—Financial difficulty and other problems in certain financial institutions in India could adversely affect our business and the price of our equity shares and ADSs*" and "*Our international operations increase the complexity of the risks that we face*".

***The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment.***

The global financial crisis has led to significant and unprecedented changes in the laws, regulations and regulatory policies of India and the other jurisdictions in which we operate. Changes in laws, regulations or regulatory policies, including changes in the interpretation or application of such laws, regulations and regulatory policies, may adversely affect the products and services we offer, the value of our assets or the collateral available for our loans or our business in general. Recent regulatory changes as well as changes currently under discussion, such as changes with respect to Basel III risk-based and leverage capital requirements, Basel III liquidity requirements; restrictions on cross-border capital flows; enhanced emphasis on local lending obligations in overseas jurisdictions; changes in directed lending regulations in India; using national benchmark indices for pricing bank products; concentration of large exposures in banks and collateral management; continuous licensing of universal banks; and discussions on management compensation, board governance, consumer protection and risk management, among other areas, are expected to have an impact on our business and our future strategy. These changes could require us to reduce or increase our business in specific segments, impact our overall growth and impact our return on capital. For instance, our wholly owned banking subsidiaries in the United Kingdom and Canada reduced their business volumes after fiscal

2009 in response to the changes in the regulatory environment, which has impacted their growth and profitability. While both these subsidiaries are focused on growing their business within the current regulatory framework, the opportunities to do so may be limited. Further, while both these subsidiaries are focused on optimizing their capital base and have repatriated capital and made dividend payments to ICICI Bank in the recent past, such measures are subject to regulatory approvals. There can be no assurance regarding the timing or grant of such approvals in the future. The Reserve Bank of India has moved to a risk-based supervision approach for Indian banks, including us, and may require banks to hold additional capital over and above the minimum regulatory requirements based on its assessment of risks for individual banks.

Changes in laws, regulations and regulatory policies, or the interpretation or application thereof, have and we expect will continue to lead to enhanced regulatory oversight and scrutiny and increased compliance costs. In the aftermath of the financial crisis, regulators are increasingly viewing us, as well as other financial

institutions, as presenting a higher risk profile than in the past. This increased scrutiny increases the possibility that we will face adverse legal or regulatory actions. The Reserve Bank of India and other regulators regularly review our operations, and there can be no guarantee that any regulator will agree with our internal assessments of asset quality, provisions, risk management, capital adequacy, management functioning or other measures of the safety and soundness of our operations. See also “—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer”. In addition, regulators may find that we are not in compliance with applicable laws, regulations or regulatory policies, or with the regulators’ revised interpretations of such laws, regulations or regulatory policies, and may take formal or informal actions against us. Our ability to predict future legal or regulatory changes is limited and we may face enhanced legal or regulatory burdens without advance notice. For example, the Reserve Bank of India, in its guidelines for new private sector banking licenses issued in February 2013, has mandated new banks pursuant to the issuance of such licenses, to be set up under a financial holding company structure. In future, such requirements may be extended to existing banks in India, including us. Also, the Reserve Bank of India has released a discussion paper on a new banking structure in India. See also “*Overview of the Indian Financial Sector—Structural Reforms*”. Any such regulatory or structural changes may result in increased expenses, operational restrictions, increased competition or revisions to our business operations, which may reduce our profitability or force us to forego potentially profitable business opportunities. See also “—*The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*”.

***Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds.***

Our risk management strategies may not be effective because in a difficult or less liquid market environment other market participants may be attempting to use the same or similar strategies to deal with difficult market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants. Our derivatives businesses may expose us to unexpected market, credit and operational risks that could cause us to suffer unexpected losses or enhanced regulatory scrutiny. Severe declines in asset values, unanticipated credit events, or unforeseen circumstances that may cause previously uncorrelated factors to become correlated may create losses resulting from risks not appropriately taken into account in the development, structuring or pricing of a derivative instrument. In addition, many derivative transactions are not cleared and settled through a central clearing house or exchange, and they may not always be confirmed or settled by counterparties on a timely basis. In these situations, we are subject to heightened credit and operational risk, and in the event of a default, we may find the contract more difficult to enforce. Further, as new and more complex derivative products are created, disputes regarding the terms or the settlement procedures of the contracts could arise, which could force us to incur unexpected costs, including transaction and legal costs, and impair our ability to manage effectively our risk exposure to these products. Many of our hedging strategies and other risk management techniques have a basis in historic market behavior, and all such strategies and techniques are based to some degree on management’s subjective judgment. To the extent any of the instruments and strategies we use to hedge or otherwise manage our exposure to market or credit risk are not effective, we may not be able to mitigate effectively our risk exposures in particular market environments or against particular types of risk. Our balance sheet growth is dependent upon economic conditions, as well as upon our ability to securitize, sell, purchase or syndicate particular loans or loan portfolios. Our trading revenues and interest rate risk are dependent upon our ability to properly identify, and mark-to-market, changes in the value of financial instruments caused by changes in market prices or rates. Our earnings are dependent upon the effectiveness of our management of migrations in credit quality and risk concentrations, the accuracy of our valuation models and

our critical accounting estimates and the adequacy of our allowances for loan losses.

To the extent our assessments, assumptions or estimates prove inaccurate or not predictive of actual results, we could suffer higher than anticipated losses and enhanced regulatory scrutiny. The successful management of credit, market and operational risk is an important consideration in managing our liquidity risk because it affects the evaluation of our credit ratings by domestic and international rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time. See also “—*Risks Relating to India and Other Economic and Market Risks—Any downgrade of India’s debt rating by an international rating agency could adversely affect our business, our liquidity and the price of our equity shares and ADSs*”. The rating agencies can also decide to withdraw their ratings altogether, which may have the same effect as a

reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions particularly longer-term, and derivatives transactions, or retain our customers. Conditions in the international and Indian debt markets may adversely impact our access to financing and liquidity. This, in turn, could reduce our liquidity and negatively impact our operating results and financial condition. For more information relating to our ratings, see also “*Business—Risk Management—Quantitative and Qualitative Disclosures about Market Risk—Liquidity Risk*”.

***Negative publicity could damage our reputation and adversely impact our business and financial results and the price of our equity shares and ADSs.***

Reputation risk, or the risk to our business, earnings and capital from negative publicity, is inherent in our business. The reputation of the financial services industry in general has been closely monitored as a result of the financial crisis and other matters affecting the financial services industry. Negative public opinion about the financial services industry generally or us specifically could adversely affect our ability to keep and attract customers, and expose us to litigation and regulatory action. Negative publicity can result from our actual or alleged conduct in any number of activities, including lending practices and specific credit exposures, the level of non-performing loans, corporate governance, regulatory compliance, mergers and acquisitions, and related disclosure, sharing or inadequate protection of customer information, and actions taken by government, regulators and community organizations in response to that conduct. Although we take steps to minimize reputation risk in dealing with customers and other constituencies, we, as a large financial services organization are inherently exposed to this risk. Our subsidiaries’ businesses include mutual fund, portfolio and private equity fund management, which are exposed to various risks including diminution in value of investments and inadequate liquidity of the investments. We also distribute products of our insurance, asset management and private equity subsidiaries. Investors in these funds and schemes may allege mismanagement or weak fund management as well as mis-selling and conflicts of interest which may impact our overall reputation as a financial services group and may require us to support these businesses with liquidity and may result in a reduction in business volumes and revenues from these businesses. We are also exposed to the risk of litigation by customers across our businesses.

***We may seek opportunities for growth through acquisitions, divest our existing businesses, or be required to undertake mergers by the Reserve Bank of India and could face integration and other acquisitions risks.***

We may seek opportunities for growth through acquisitions or be required to undertake mergers mandated by the Reserve Bank of India under its statutory powers. We have undertaken mergers and acquisitions in the past. Most recently, the Bank of Rajasthan, a private sector bank, merged with us effective August 12, 2010. In the past, the Reserve Bank of India has ordered mergers of weak banks with other banks primarily in the interest of depositors of the weak banks. More recently, the Indian government has indicated that public sector banks should pursue consolidation to create a smaller number of banks that are individually large in scale. We may in the future examine and seek opportunities for acquisitions in countries where we currently operate. Our non-banking subsidiaries in India may also undertake mergers and acquisitions. Any future acquisitions or mergers, both Indian or international, may involve a number of risks, including the possibility of a deterioration of asset quality, financial impact of employee related liabilities, diversion of our management’s attention required to integrate the acquired business and the failure to

retain key acquired personnel and clients, leverage synergies or rationalize operations, or develop the skills required for new businesses and markets, or unknown and known liabilities including any ongoing litigation, claims or disputes concerning such acquisition, merger, its shareholders, share capital or its legal and regulatory compliance obligations or practices, some or all of which could have an adverse effect on our business.

We may also sell all or part of one or more of our businesses, including our subsidiaries, for a variety of reasons including changes in strategic focus, redeployment of capital, contractual obligations and regulatory requirements. See also “*Business— Overview of Our Products and Services — Insurance*”.

***We and our customers are exposed to fluctuations in foreign exchange rates.***

Several of our borrowers enter into derivative contracts to manage their foreign exchange risk exposures. Volatility in exchange rates may result in increased mark-to-market losses in derivative transactions for our clients. Upon the maturity or premature termination of the derivative contracts, these mark-to-market losses become receivables owed to us. Consequently, we become exposed to various kinds of risks including but not limited to credit risk, market risk and exchange risk.

As discussed above, in the past, concerns over India's current account deficit and changes in capital flows due to changes in U.S. monetary policy have caused the rupee to depreciate against the dollar. See "*Risks relating to India and Other Economic and Market Risks—Current account deficits, including trade deficits, and capital flow and exchange rate volatility could adversely affect our business and the price of our equity shares and ADSs*". Some of our borrowers with foreign exchange and derivative exposures may be adversely impacted by the depreciation of the rupee. These include borrowers impacted by higher rupee denominated interest or principal repayment on unhedged foreign currency borrowings; increases in the cost of raw material imports where there is limited ability to pass through such escalations to customers; and the escalation of project costs due to higher imported equipment costs; and borrowers that may have taken adverse positions in the foreign exchange markets. The failure of our borrowers to manage their exposures to foreign exchange and derivative risk, particularly adverse movements and volatility in foreign exchange rates, may adversely affect our borrowers and consequently the quality of our exposure to our borrowers and our business volumes and profitability.

In January 2014, the Reserve Bank of India issued guidelines requiring higher capital and provisioning requirements for banks on their exposures to companies having unhedged foreign currency exposure, based on an assessment of likely loss on such exposures compared to the earnings of the corporate. An increase in non-performing or restructured assets on account of our borrowers' inability to manage exchange rate risk and any increased capital or provisioning requirement against such exposures may have an adverse impact on our profitability, our business and the price of our equity shares and ADSs. We have adopted certain risk management policies to mitigate such risk. However, there is no assurance that such measures will be fully effective in mitigating such risks.

***Entry into new businesses or rapid growth in existing loan portfolios may expose us to increased risks that may adversely affect our business.***

The rapid growth of our retail loan business and our rural initiative exposes us to increased risks within India including higher levels of non-performing loans in our unsecured retail credit portfolio, increased operational risk, increased fraud risk and increased regulatory and legal risk. Since fiscal 2012 we have focused on scaling up our retail lending volumes and since fiscal 2015, we have also seen an increase in our retail unsecured portfolio. Our retail loan portfolio grew by 21.9% in fiscal 2016 compared to an increase of 13.1% in our overall gross loan portfolio. Further, we are also focusing on scaling up our business and distribution network in rural areas. While we have taken measures to address the risks in these businesses, there can be no assurance that the businesses would perform according to our expectations or that there would not be any adverse developments in these businesses in the future. Our inability to manage such risks may have an adverse impact on our future business and strategy, our asset quality and profitability and the price of our equity shares and ADSs.

***Our industry is very competitive and our strategy depends on our ability to compete effectively.***

Within the Indian market, we face intense competition from other commercial banks, investment banks, insurance companies and non-bank finance companies. Some Indian public and private sector banks have experienced higher growth and increase in market shares relative to us. The Reserve Bank of India has issued licenses to two new private



sector banks, and in-principle licenses to 11 payments banks (some of whom have subsequently indicated that they would not pursue the establishment of payments banks) and 10 small finance banks. The Reserve Bank of India has also issued draft guidelines with respect to a continuous licensing policy for universal banks in the private sector. The expansion of existing competitors or the entry of new competitors could increase competition. Further, technology innovations in mobility and digitization of financial services require banks to continuously develop new and simplified models for offering banking products and services. Innovations in the payments system and increasing use of mobile banking are leading to emergence of new platforms for cashless payments. These trends in technology could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly to new technology developments, and be in a position to dedicate resources to upgrade our systems and compete with new players entering the market. In addition, the moderation of growth in the Indian banking sector may lead to greater competition for business opportunities.

We face competition from non-banking finance companies that are lending in segments in which banks also have a presence, including home loans and vehicle loans. Their presence in the market may grow during

periods when banks are unable to grow their advances due to challenges and stress in other businesses. There is no assurance that we will be able to effectively compete with these non-banking finance companies at all times. Further, changes in the banking sector structure due to consolidation as well as entry of new competitors may lead to volatility and new challenges and may increase pressures on banks to remain competitive.

In October 2013, the Reserve Bank of India completely deregulated branch licensing requirements and banks are permitted to open branches across Tier 1 to Tier 6 centers without the prior approval of the Reserve Bank of India, subject to them maintaining a prescribed proportion of 25% of their incremental branches in rural and semi-urban areas. Banks are also allowed to merge, close or shift a branch in metropolitan and urban centers without prior approval. See also “*Supervision and Regulation—Regulations Relating to the Opening of Branches*”.

The Reserve Bank of India has also released the framework for the presence of foreign banks in India, and has proposed according treatment substantively similar to domestic banks for foreign banks, based on the principles of reciprocity and subsidiary mode of presence. In May 2014, the Reserve Bank of India released the report of the committee constituted to review the governance of boards of banks in India which, among others, has proposed several measures aimed at improving the governance, ownership and board oversight of public sector banks. Following these recommendations, the Government split the position of chairman and managing director in public sector banks such that one person is no longer permitted to hold both positions. Any changes in the banking structure in India, including the entry of new banks, greater competition between existing players and improvement in the efficiency and competitiveness of existing banks, may have an adverse impact on our business. Due to competitive pressures, we may be unable to successfully execute our growth strategy or offer products and services at reasonable returns and this may adversely impact our business. See also “*Business—Competition*” and “*Overview of the Indian Financial Sector—Commercial Banks—Foreign Banks*”.

In our international operations we also face intense competition from the full range of competitors in the financial services industry, both banks and non-banks and both Indian and foreign banks. We remain a small to mid-size player in the international markets and many of our competitors have resources much greater than our own.

***Changes in the regulation and structure of the financial markets in India may adversely impact our business.***

The Indian financial markets have in recent years experienced, and continue to experience, changes and developments aimed at reducing the cost and improving the quality of service delivery to users of financial services. We may experience an adverse impact on the cash float and fees from our cash management business resulting from the development and increased usage of payment systems, as well as other similar structural changes. Some structural changes in banking transactions in India include free access for a customer of any bank to ATMs of all other banks with restrictions on the amount and number of transactions. Furthermore, the Reserve Bank of India, from time to time, also imposes limits on transaction charges levied by banks on customers, including those on cash and card transactions. Banks were directed to remove foreclosure charges on home loans and floating rate term loans given to individual borrowers. Banks were prohibited from levying penalty on non-operative accounts for non-maintenance of minimum balance. Such developments may adversely impact the profitability of banks, including us, by reducing float

balances and fee incomes, and increasing costs. See also “—*The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*”. Our subsidiaries are also subject to similar risks. For example, in the Union Budget for fiscal 2015, the Finance Minister announced an increase in the long-term capital gains tax rate on investments in debt mutual funds from 10% to 20% and also increased the minimum holding period for qualification as a long-term investment from 12 months to 36 months. Further, starting from April 2015, the Association of Mutual Funds of India has introduced a cap of 100 basis points on upfront commission for all mutual fund schemes. These changes may have an impact on the inflows and earnings of asset management companies, including our asset management subsidiary and also affect our fee and other incomes related to such activity. See also “—*While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*”.

***Additional capital requirements of our insurance subsidiaries or our inability to monetize a part of our shareholding in these subsidiaries may adversely impact our business and the price of our equity shares and ADSs.***

Although our insurance businesses are profitable and we currently do not anticipate they would require additional capital, additional capital may be required to support the business which may, among other reasons,

arise due to regulatory requirements. For instance, in the past, in accordance with an order of the Insurance Regulatory and Development Authority of India, all general insurance companies in India, including our general insurance subsidiary, ICICI Lombard General Insurance Company Limited, were required to provide for losses on the third-party motor pool (a multilateral arrangement for insurance in respect of third-party claims against commercial vehicles, the results of which were shared by all general insurance companies in proportion to their overall market share). Since the losses were allocated to general insurance companies based on their overall market shares, the profitability and solvency ratio of our general insurance subsidiary were adversely impacted. Accordingly, we invested Rs. 740.0 million of capital into our general insurance subsidiary in fiscal 2013. Our ability to invest additional capital in these businesses is subject to the Reserve Bank of India's regulations on capital adequacy and its para-banking guidelines that prescribe limits for our aggregate investment in financial sector enterprises. All such investments require prior approval of the Reserve Bank of India. See also "*—Loss reserves for our general insurance business are based on estimates as to future claims liabilities and adverse developments relating to claims could lead to further reserve additions and materially adversely affect the operation of our general insurance subsidiary*".

Any additional capital requirements of our insurance subsidiaries and restrictions on our ability to capitalize them could adversely impact their growth, our future capital adequacy, our financial performance and the price of our equity shares and ADSs.

The Insurance Laws (Amendment) Act, 2015, increased the foreign shareholding limit in insurance companies from 26.0% to 49.0%, subject to the companies being Indian-owned and controlled and to regulatory approval. During fiscal 2016, Fairfax Financial Holdings and ICICI Bank agreed that Fairfax Financial Holdings would increase its shareholding in ICICI Lombard General Insurance Company by 9.0%. The transaction was completed in March 2016, with the resultant share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited at approximately 64% and 35%, respectively. We also sold 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, to financial investors during fiscal 2016. On completion of the transaction, our share ownership in ICICI Prudential Life Insurance Company reduced from approximately 74% to 68%. Our board of directors has approved a further sale of up to approximately 12.7% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of the company's shares, subject to necessary approvals and market conditions, and ICICI Prudential Life Insurance Company has filed a draft red herring prospectus dated July 15, 2016 with the Securities and Exchange Board of India for the proposed public offering. However, there is no assurance that we will be able to undertake further monetization of our investments in our insurance subsidiaries, through this proposed public offering or otherwise, or of the level of valuation of the insurance subsidiaries at which such monetization may take place. See also "*Business—Overview of Our Products and Services—Insurance*" and "*—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*".

***While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability.***

Our life insurance and general insurance joint ventures are an important part of our business. See also "*Business—Overview of Our Products and Services—Insurance*". These businesses have experienced volatility in growth rates in the past and there can be no assurance of their future rates of growth or profitability.

The Indian life insurance sector has experienced significant regulatory change in recent years. In fiscal 2011, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased driven by favorable cost structures of these products from a customer perspective, as well as by improved capital market conditions. Linked products contributed to 83.3% of the retail weighted received premium of ICICI Prudential Life Insurance Company in fiscal 2016, compared to 84.8% of the retail weighted received premium in fiscal 2015, and 66.5% in fiscal 2014. The demand for these products may be influenced by any volatility or downturn in capital markets. The regulatory changes have also resulted in reduced profit margins on life insurance products. In fiscal 2015, the Insurance Laws (Amendment) Act, 2015, amended the existing statute to provide that no

policy of life insurance shall be called in question on any grounds, including misstatement of facts or fraud, at any time after three years from the date of the policy, i.e., from the date of issuance of the policy, commencement of risk, revival of the policy or the rider to the policy, whichever is later. The Insurance Regulatory Development Authority of India has from time to time proposed changes to the regulations governing distribution of insurance products by corporate agents, including banks. ICICI Bank is a corporate agent of its insurance subsidiaries and accounts for a significant portion of the business volumes of its life insurance subsidiary. While the latest regulatory proposals are not expected to impact this activity significantly, any future regulatory restrictions may require our insurance subsidiaries to change their distribution strategies, which may result in increased costs and lower business volumes, as well as impacting ICICI Bank's distribution of their products and the associated fee income.

ICICI Lombard General Insurance Company's gross written premiums (excluding its share of declined risk pool and inward reinsurance) increased by 21.2% from Rs. 66.8 billion during fiscal 2015 to Rs. 80.9 billion during fiscal 2016. There can be no assurance of the future rates of growth in the insurance business. Further, our general insurance subsidiary has also been adversely impacted by higher losses on the mandated third-party motor insurance pool, which resulted in a loss of Rs. 4.2 billion in fiscal 2012 for the subsidiary. This subsidiary has been making profits since fiscal 2013. See also "*—Additional capital requirements of our insurance subsidiaries or our inability to monetize a part of our shareholding in these subsidiaries may adversely impact our business and the price of our equity shares and ADSs*" and "*Supervision and Regulation—Regulations Governing Insurance Companies*".

A slowdown in growth in the Indian economy, further regulatory changes or customer dissatisfaction with our insurance products could adversely impact the future growth of these businesses. See also "*—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*". Any slowdown in these businesses and in particular in the life insurance business could have an adverse impact on our business and the price of our equity shares and ADSs.

***The proposed initial public offerings of our life insurance subsidiary may not be completed, and if completed, will increase the complexity of our business.***

Our board of directors has approved the further sale of up to approximately 12.65% out of our shareholding in ICICI Prudential Life Insurance Company through an offer for sale in an initial public offering of the company's shares, subject to necessary approvals and market conditions, and ICICI Prudential Life Insurance Company has filed a draft red herring prospectus with the Securities and Exchange Board of India for the proposed public offering.

However, adverse developments in the financial markets, the Indian life insurance industry, or in the business of our life insurance subsidiary, in addition to various other factors, may result in our failure to complete the proposed initial public offering on the terms currently contemplated, or at all. Our inability to complete the initial public offering on the terms currently contemplated, or at all, may adversely affect our results of operation and financial condition.

If completed, the proposed initial public offering will lead to increased complexity in our business. Upon becoming a publicly traded company, our life insurance subsidiary will have to begin interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. If our and our subsidiary's management teams are not able to successfully or efficiently manage our subsidiary's transition to being a public company, increased oversight and continuous scrutiny of securities analysts and investors, it could adversely affect our business, results of operations and financial condition.

***Actuarial experience and other factors could differ from assumptions made in the calculation of life actuarial reserves and other actuarial information.***

The assumptions our life insurance subsidiary makes in assessing its life insurance reserves and computing other actuarial information may differ from what it experiences in the future. These assumptions include the assessment of the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed income and other categories, persistency, mortality and morbidity rates, policyholder lapses, policy discontinuation and future expense levels. In addition, there is risk that the model used to estimate life and health insurance reserves based on such assumptions is itself incorrect.

Our life insurance subsidiary monitors its actual experience of these assumptions and to the extent that it considers any deviation from assumption to continue in the longer term, it refines its long-term assumptions. Changes in any such assumptions may lead to changes in the estimates of life and health insurance reserves and other actuarial information. Such changes may also impact the valuation of our life insurance subsidiary by existing or potential investors, and the valuation at which any future monetization of our shareholding in the life insurance subsidiary takes place, if at all.

***Loss reserves for our general insurance business are based on estimates as to future claims liabilities and adverse developments relating to claims could lead to further reserve additions and materially adversely affect the operation of our general insurance subsidiary.***

In accordance with the general insurance industry practice and accounting and regulatory requirements, our general insurance subsidiary establishes reserves for loss and loss adjustment expenses related to its general insurance business. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made on both a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported. These reserves represent the estimated ultimate cost necessary to bring all pending claims to final settlement.

Reserves are subject to change due to a number of variables which affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, costs of repairs and other factors such as inflation and exchange rates. Our general insurance subsidiary's reserves for environmental and other latent claims are particularly subject to such variables. The results of operations of our general insurance subsidiary depend significantly upon the extent to which its actual claims experience is consistent with the assumptions it uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that its actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, it may be required to increase its reserves, which may materially adversely affect its results of operations.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. Our general insurance subsidiary also conducts reviews of various lines of business to consider the adequacy of reserve levels. Based on current information available and on the basis of internal procedures, the management of our general insurance subsidiary considers that these reserves are adequate. However, because the establishment of reserves for loss and loss adjustment expenses is an inherently uncertain process, there can be no assurance that ultimate losses will not materially exceed the established reserves for loss and loss adjustment expenses and have a material adverse effect on the results of operations of our general insurance subsidiary. See also “—Additional capital requirements of our insurance subsidiaries or our inability to monetize a part of our shareholding in these subsidiaries may adversely impact our business and the price of our equity shares and ADSs”.



***The financial results of our insurance subsidiaries could be materially adversely affected by the occurrence of catastrophe.***

Portions of our general insurance subsidiary's business may cover losses from unpredictable events such as hurricanes, windstorms, monsoons, earthquakes, fires, industrial explosions, floods, riots and other man-made or natural disasters, including acts of terrorism. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

In addition, our life insurance subsidiary's operations are also exposed to claims arising out of catastrophes due to increased mortality and morbidity claims of affected customers. In addition, catastrophes could result in losses in the investment portfolios of our life insurance subsidiary due to, among other reasons, the failure of its counterparties to perform their obligations or significant volatility or disruption in the financial markets.

Although our subsidiaries monitor their overall exposure to catastrophes and other unpredictable events in each geographic region and determine their underwriting limits related to insurance coverage for losses from catastrophic events, the subsidiaries generally seek to reduce their exposure through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. Claims relating to catastrophes may result in unusually high levels of losses and may require additional capital to maintain solvency margins and could have a material adverse effect on our financial position or results of operations.

***There is operational risk associated with the financial industry which, when realized, may have an adverse impact on our business.***

We, like all financial institutions, are exposed to many types of operational risk, including the risk of fraud or other misconduct by employees or outsiders, unauthorized transactions by employees and third parties (including violation of regulations for prevention of corrupt practices, and other regulations governing our business activities), misreporting or non-reporting with respect to statutory, legal or regulatory reporting and disclosure obligations, or operational errors, including clerical or recordkeeping and reconciliation errors or errors resulting from faulty computer or telecommunications systems. We have experienced significant growth in a fast changing environment, and management as well as our regulators, are aware that this may pose significant challenges to our control framework. As a result of our internal evaluations, we and our regulators have noted certain areas where our processes and controls could be improved. Our growth, particularly in retail lending, our rural initiative, our international business and our insurance businesses exposes us to additional operational and control risks. Regulatory scrutiny of areas related to operational risk, including internal audit information, systems and data processing is increasing. The large size of our treasury and retail operations, which use automated control and recording systems as well as manual checks and recordkeeping, exposes us to the risk of errors in control, recordkeeping and reconciliation. The increasing size of our insurance business and the complexities of the products expose us to the risk that the models set up on actuarial software to compute the actuarial liabilities and deferred acquisition cost may contain errors or may require continuous improvement over a period of time. We also outsource some functions, like collections, to other agencies. Given our high volume of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. In addition, our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control (including, for example, computer viruses or electrical or telecommunication outages), which may give rise to deterioration in customer service and to loss or liability to us. We are further exposed to the risk that external vendors may be unable to fulfil their contractual obligations to us (or will be subject to the same risk of fraud or operational errors by their respective employees as we are), and to the risk that our (or our vendors') business continuity and data security systems prove not to be sufficiently adequate. We also face the risk that the design of our controls and procedures prove inadequate, or are circumvented, thereby causing delays in detection or errors in information. Although we maintain a system of controls designed to keep operational risk at appropriate levels, like all banks and insurance companies we have suffered losses from operational risk and there can be no assurance that we will not suffer losses from operational risks in the future that may be material in amount, and our reputation could be adversely affected by the occurrence of any such events involving our employees, customers or third parties. In addition, regulators or legal authorities may also hold banks, including us, liable for losses on account of customer errors such as inadvertent sharing of confidential account related information. There are inherent limitations to the effectiveness of any system especially of controls and procedures, including the possibility of human error, circumvention or over-riding of the controls and procedures, in a fast changing environment or when entering new areas of business or expanding geographic reach. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. We are committed to continuing to implement and improve internal controls and our risk management processes, and this remains a key priority for us. If, however, we are unable to manage operational risk in India and in the other jurisdictions in which we operate, or if we are perceived as being unable to manage such risk, we may be subject to enhanced regulatory oversight and scrutiny. For a discussion of how operational risk is managed. See also "*Business—Risk Management—Operational Risk*".

***Fraud and significant security breaches in our computer system and network infrastructure could adversely impact our business.***

Our business operations are based on a high volume of transactions. Although we take adequate measures to safeguard against system-related and other fraud, there can be no assurance that we would be able to prevent fraud. Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks. Our inability or perceived inability to manage these risks could lead to enhanced regulatory oversight and scrutiny. Our branch network expansion, our rural initiative, our international growth and our expansion to product lines such as insurance may create additional challenges with respect to managing the risk of fraud due to increased geographical dispersion and use of intermediaries. See also “*Operating and Financial Review and Prospects—Provisions for Restructured Loans and Non-performing Assets*” and “*Business—Risk Management—Operational Risk*”. Physical or electronic

break-ins, security breaches or other disruptions caused by power disruptions or the increased use of technology could also affect the security of information stored in and transmitted through our computer systems and network infrastructure. Technology has been undergoing a rapid evolution driven by mobility, cloud computing and social networks and this has led to increased cyber threats such as distributed denial of service attacks, spear phishing attacks and proliferation of malware and trojans. Given our focus on technology and presence in diverse geographies, we are exposed to such attacks which may impact the confidentiality, integrity or availability of data pertaining to us or our customers, which in turn may cause damage to our reputation and adversely impact our business and financial results. While we maintain insurance coverage that may, in accordance with the policy terms and conditions, cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. We have a governance framework in place for security and has implemented information security policies, procedures and technologies. However, considering that technology is currently in a phase of rapid evolution and considering that the methods used for cyber-attacks are also changing frequently or, in some cases, are not recognized until an actual attack, we may not be able to anticipate or to implement effective preventive measures against all security breaches. Like many other large global financial institutions, we have also experienced a distributed denial of services attack which was intended to disrupt customer access to our main portal. While our monitoring and mitigating controls were able to detect and effectively respond to this incident, there can be no assurance that these security measures will be successful in the future. A significant failure in security measures could have a material adverse effect on our business, our future financial performance, our stockholders' equity and the price of our equity shares and ADSs.

***System failures could adversely impact our business.***

Given the large share of retail products and services and transaction banking services in our total business, the importance of systems technology to our business has increased significantly. We have also launched delivery of banking services through mobile phones, apart from ATMs, call centers and the Internet. While we have procedures to monitor for and prevent system failures, and to recover from system failures in the event they occur, there is no guarantee that these procedures will successfully prevent a system failure or allow us to recover quickly from a system failure. In the event that our data center is severely impacted due to a major power outage, floods, earthquakes, internet link failures or other events, while we have a secondary disaster recovery data center, recovery of some of our systems and services may be delayed, thereby adversely impacting our operations and customer service levels. Any failure in our systems, particularly for retail products and services and transaction banking, could significantly affect our operations and the quality of our customer service and could result in enhanced regulatory scrutiny and business and financial losses that would adversely affect the price of our equity shares and ADSs. Regulatory scrutiny in this area is increasing. See also “—*The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past*”.

***A determination against us in respect of disputed tax assessments may adversely impact our financial performance.***

We are regularly assessed by the government of India's tax authorities, and on account of outstanding tax demands we have included in contingent liabilities Rs. 39.9 billion in additional taxes in excess of our provisions at March 31, 2016. These additional tax demands mainly relate to issues disputed by us and the tax authorities, such as the disallowance of depreciation on leased assets, disallowance of expenditure incurred towards exempt income,

withdrawal of a special reserve, marked-to-market losses, double taxation of income of two of our venture capital funds and indirect tax matters. The Rs. 39.9 billion included in our contingent liabilities does not include further disputed tax assessments amounting to Rs. 39.7 billion mainly relating to bad debts written off and penalties levied, where the possibility of liability arising has been considered remote based on favorable Supreme Court decisions in other similar cases. See also “*Business—Legal and Regulatory Proceedings*”.

We have appealed all of these demands. While we expect that no additional liability will arise out of these disputed demands based on our consultations with tax counsel and favorable decisions in our own and other cases, there can be no assurance that these matters will be settled in our favor or that no further liability will arise out of these demands. Any additional tax liability may adversely impact our financial performance and the price of our equity shares and ADSs.

***We are involved in various litigations. Any final judgment awarding material damages against us could have a material adverse impact on our future financial performance and our stockholders' equity.***

We and our group companies, or our or their directors or officers, are often involved in litigations (civil and criminal) in India and in the other jurisdictions in which we operate for a variety of reasons, which generally arise because we seek to recover our dues from borrowers or because customers seek claims against us. The majority of these cases arise in the normal course of business and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance or stockholders' equity. We estimate the probability of losses that may be incurred in connection with legal and regulatory proceedings as of the date on which our unconsolidated and consolidated financial statements are prepared. We recognize a provision when we have a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. We determine the amount of provision based on our estimate of the amount required to settle the obligation at the balance sheet date, supplemented by our experience in similar situations. We review provisions at each balance sheet date and adjust them to reflect current estimates. In cases where the available information indicates that a loss is reasonably possible but the amount of such loss cannot be reasonably estimated, we make a disclosure to this effect in the unconsolidated and consolidated financial statements. In certain instances, present and former employees have instituted legal and other proceedings against us alleging irregularities. When there is only a remote risk of loss, we do not recognize a provision nor do we include a disclosure in the unconsolidated and consolidated financial statements. See also "*Business—Legal and Regulatory Proceedings*". We cannot guarantee that the judgments in any of the litigation in which we are involved would be favorable to us and if our assessment of the risk changes, our view on provisions will also change.

***Any inability to attract and retain talented professionals may adversely impact our business.***

Our business has become more complex with both product line expansion including the insurance area and geographic expansion internationally and through the rural initiatives. Our continued success depends in part on the continued service of key members of our management team and our ability to continue to attract, train, motivate and retain highly qualified professionals. This is a key element of our strategy and we believe it to be a significant source of competitive advantage. The successful implementation of our strategy depends on the availability of skilled management, both at our head office and at each of our business units and international locations and on our ability to attract and train young professionals. A substantial portion of our compensation structure for middle and senior management is in the form of employee stock options, and dependent on the market price of our equity shares. Depending on market and business conditions, we may decide to reduce our employee strength in certain of our businesses. Further, increased competition, including the entry of new banks into an already competitive sector, may affect our ability to hire and retain qualified employees. If we or one of our business units or other functions fail to staff operations appropriately, or lose one or more key senior executives or qualified young professionals and fail to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including our control and operational risks, may be adversely affected. Likewise, if we fail to attract and appropriately train, motivate and retain young professionals or other talent, our business may likewise be affected. See also "*Business—Employees*".

***Adoption of a different basis of accounting or new accounting standards may result in changes in our reported financial position and results of operations for future and prior periods.***

The financial statements and other financial information included or incorporated by reference in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs, which is the law making authority for adoption of accounting standards in India, has notified these Ind AS for adoption. Further, the ministry has also issued a roadmap for transition to Ind AS by Indian companies in a phased manner starting from April 1, 2016. For banking companies, non-banking finance companies and insurance companies, the implementation of Ind AS will begin from April 1, 2018. Accordingly, ICICI Bank and our group companies, would report its financials as per Ind AS from April 1, 2018 onwards. Further, we may issue financial statements under International Financial Reporting Standards prior to the schedule that may be announced by Indian regulators, for compliance with regulations in certain jurisdictions where we have operations or where our securities are listed. Financial statements prepared under standards different from existing GAAP may diverge significantly from the financial statements and other financial information included or incorporated by reference in this annual report. The major areas of differences

include classification and mark-to-market accounting of financial assets, impairment of financial assets, accounting of loan processing fees and costs, amortization of premium/discount on purchase of financial assets, employee stock option, deferred tax and consolidation accounting.

#### Risks Relating to ADSs and Equity Shares

You will not be able to vote your ADSs and your ability to withdraw equity shares from the depository facility is uncertain and may be subject to delays.

Our ADS holders have no voting rights unlike holders of our equity shares who have voting rights. For certain information regarding the voting rights of the equity shares underlying our ADSs, see also “*Business—Shareholding Structure and Relationship with the Government of India*”. If you wish, you may withdraw the equity shares underlying your ADSs and seek to exercise your voting rights under the equity shares you obtain from the withdrawal. However, for foreign investors, this withdrawal process may be subject to delays. For a discussion of the legal restrictions triggered by a withdrawal of the equity shares from the depository facility upon surrender of ADSs, see also “*Restriction on Foreign Ownership of Indian Securities*”.

Your holdings may be diluted by additional issuances of equity and any dilution may adversely affect the market price of our equity shares and ADSs.

In fiscal 2008, we concluded a capital raising exercise comprising a public offering in India and an ADS offering aggregating Rs. 199.7 billion. We may conduct additional equity offerings to fund the growth of our business, including our international operations, our insurance business or our other subsidiaries. In addition, up to 10.0% of our issued equity shares from time to time, may be granted in accordance with our Employee Stock Option Scheme. Any future issuance of equity shares or ADSs or exercise of employee stock options would dilute the positions of investors in equity shares and ADSs and could adversely affect the market price of our equity shares and ADSs.

You may be unable to exercise preemptive rights available to other shareholders.

A company incorporated in India must offer its holders of equity shares preemptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless these rights have been waived by at least 75.0% of the company’s shareholders present and voting at a shareholders’ general meeting. United States investors in ADSs may be unable to exercise these preemptive rights for equity shares underlying ADSs unless a registration statement under the Securities Act of 1933, as amended (the “*Securities Act*”) is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. Our decision to file a registration statement will depend on the costs and potential



liabilities associated with any such registration as well as the perceived benefits of enabling investors in ADSs to exercise their preemptive rights and any other factors we consider appropriate at such time. To the extent that investors in ADSs are unable to exercise preemptive rights, their proportional ownership interests in us would be reduced.

Your ability to sell in India any equity shares withdrawn from the depository facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required.

ADS holders seeking to sell in India any equity shares withdrawn upon surrender of ADSs, convert the rupee proceeds from such sale into a foreign currency or repatriate such foreign currency may need the Reserve Bank of India's approval for each such transaction. See also "*Restriction on Foreign Ownership of Indian Securities*". We cannot guarantee that any such approval will be obtained in a timely manner or at terms favorable to the investor. Because of possible delays in obtaining the requisite approvals, investors in equity shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

Restrictions on deposit of equity shares in the depository facility could adversely affect the price of our ADSs.

Under current Indian regulations, an ADS holder who surrenders ADSs and withdraws equity shares may deposit those equity shares again in the depository facility in exchange for ADSs. An investor who has purchased equity shares in the Indian market may also deposit those equity shares in the ADS program. However, the deposit of equity shares may be subject to securities law restrictions and the restriction that the cumulative aggregate number of equity shares that can be deposited as of any time cannot exceed the cumulative

aggregate number represented by ADSs converted into underlying equity shares as of such time. These restrictions increase the risk that the market price of our ADSs will be below that of the equity shares.

Certain shareholders own a large percentage of our equity shares and their actions could adversely affect the price of our equity shares and ADSs.

The Life Insurance Corporation of India, the General Insurance Corporation of India and other government-owned general insurance companies, all of which are directly controlled by the Indian government, are among our principal shareholders. At June 30, 2016, the Life Insurance Corporation of India held 10.4% and the General Insurance Corporation of India and other government-owned general insurance companies held 1.7% of our outstanding equity shares. See also “*Business—Shareholding Structure and Relationship with the Government of India*”. Any substantial sale of our equity shares by these or other large shareholders could adversely affect the price of our equity shares and ADSs. The Reserve Bank of India, in exercise of powers conferred by the Banking Regulation Act has notified a ceiling on voting rights in a banking company for single shareholder of 15.0%. Deutsche Bank Trust Company Americas held approximately 25.4% of our equity shares at June 30, 2016 as depositary for ADS holders and currently votes on only 15.0% of these shares as per the ceiling notified by the Reserve Bank of India. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. See “*Overview of the Indian Financial Sector—Structural Reforms—Amendments to the Banking Regulation Act*”.

Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs.

The Indian securities markets are smaller and more volatile than securities markets in developed economies. In the past, the Indian stock exchanges have experienced high volatility and other problems that have affected the market price and liquidity of the listed securities, including temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In April 2003, the decline in the price of the equity shares of a leading Indian software company created volatility in the Indian stock markets and created temporary concerns regarding our exposure to the equity markets. On May 17, 2004, the Bombay Stock Exchange Sensex fell by 565 points from 5,070 to 4,505, creating temporary concerns regarding our exposure to the equity markets. Both the BSE and the NSE halted trading on the exchanges on May 17, 2004 in view of the sharp fall in prices of securities. The Indian securities markets experienced rapid appreciation during fiscal 2006 but underwent a sharp correction in May 2006. The markets experienced a recovery thereafter and the BSE Sensex reached an all-time high of 20,873 on January 8, 2008 but subsequently experienced a sharp correction, with the BSE Sensex declining to 8,160 on March 9, 2009. In the 24 months since then, the equity markets had recovered with the BSE Sensex at 19,445 at year-end fiscal 2011. However, the European debt crisis, volatile crude oil prices and concerns on growth in India caused a decline in the domestic equity markets with the BSE Sensex at 17,404 at March 30, 2012. The markets have recovered subsequently and at year-end fiscal 2016 the BSE Sensex was at 25,342. In recent years, there have been changes in laws and regulations regulating the taxation of dividend income, which have impacted the Indian equity capital markets. See also “*Dividends*”. Similar problems or changes in the future could adversely affect the market price and liquidity of our equity shares and ADSs.

We are subject to regulatory restrictions on the payment of dividend to shareholders. Any change in such restrictions or increase in capital requirements may have an impact on our dividend payout to our equity share and ADS holders.

The Reserve Bank of India has prescribed limits on the dividend payout ratio of banks in India linked to certain parameters such as the risk-based capital ratio and net non-performing assets ratio. Under the Reserve Bank of India's Basel III guidelines, banks are subject to higher minimum capital requirements and must maintain a capital conservation buffer above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments. Any change in restrictions on payment of dividend or capital requirements may limit our ability to pay dividends to our equity share and ADS holders.

Settlement of trades of equity shares on Indian stock exchanges may be subject to delays.

The equity shares represented by ADSs are currently listed on the BSE and the NSE. Settlement on those stock exchanges may be subject to delays and an investor in equity shares withdrawn from the depository facility upon surrender of ADSs may not be able to settle trades on such stock exchanges in a timely manner. See also "*—Conditions in the Indian securities market may adversely affect the price or liquidity of our equity shares and ADSs*".

Changes in Indian regulations on foreign ownership, a change in investor preferences or an increase in the number of ADSs outstanding could adversely affect the price of our equity shares and ADSs.

ADSs issued by companies in certain emerging markets, including India, may trade at a discount or a premium to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares. See also “*Restriction on Foreign Ownership of Indian Securities*”. Historically, our ADSs have generally traded at a small premium to the trading price of our underlying equity shares on the Indian stock exchanges. See also “*Market Price Information*”. We believe that this price premium resulted from the limited portion of our market capitalization represented by ADSs, restrictions imposed by Indian law on the conversion of equity shares into ADSs and an apparent preference among some investors to trade dollar-denominated securities. In fiscal 2006 and fiscal 2008, we conducted offerings of ADSs which increased the number of outstanding ADSs and we may conduct similar offerings in the future. Also, over time, some of the restrictions on the issuance of ADSs imposed by Indian law have been relaxed. As a result, any premium enjoyed by ADSs as compared to the equity shares may be reduced or eliminated as a result of offerings made or sponsored by us, changes in Indian law permitting further conversion of equity shares into ADSs or a change in investor preferences.

Because the equity shares underlying ADSs are quoted in rupees in India, you may be subject to potential losses arising out of exchange rate risk on the Indian rupee.

Investors who purchase ADSs are required to pay for ADSs in U.S. dollars and are subject to currency fluctuation risk and convertibility risks since the equity shares underlying ADSs are quoted in rupees on the Indian stock exchanges on which they are listed. Dividends on the equity shares will also be paid in rupees and then converted into U.S. dollars for distribution to ADS investors. Investors who seek to convert the rupee proceeds of a sale of equity shares withdrawn upon surrender of ADSs into foreign currency and repatriate the foreign currency may need to obtain the approval of the Reserve Bank of India for each such transaction. See also “—*Your ability to sell in India any equity shares withdrawn from the depository facility, the conversion of rupee proceeds from such sale into a foreign currency and the repatriation of such foreign currency may be subject to delays if specific approval of the Reserve Bank of India is required*” and “*Exchange Rates*”.

You may be subject to Indian taxes arising out of capital gains.

In certain circumstances, capital gains arising on the sale of the underlying equity shares are subject to Indian capital gains tax. Investors are advised to consult their own tax advisers and to carefully consider the potential tax consequences of owning ADSs or underlying equity shares. See also “*Taxation—Indian Tax*”.

There may be less company information available in Indian securities markets than in securities markets in the United States.

There is a difference between India and the United States in the level of regulation and monitoring of the securities markets and the activities of investors, brokers and other market participants. The Securities and Exchange Board of India is responsible for improving disclosure and regulating insider trading and other matters for the Indian securities markets. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in the United States.

## Business

### Overview

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis. Apart from banking products and services, we offer life and general insurance, asset management, securities brokering and private equity products and services through our specialized subsidiaries. Our total assets at year-end fiscal 2016 were Rs. 9,187.6 billion. Our capital and reserves at year-end fiscal 2016 were Rs. 941.1 billion. In fiscal 2016, we earned a net profit of Rs. 101.8 billion compared to Rs. 122.5 billion in fiscal 2015.

Our primary business consists of commercial banking operations for Indian corporate and retail customers. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of third party insurance and investment products. We also offer agricultural and rural banking products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, the internet, social media and mobile phones. ICICI Bank had a network of 4,450 branches and 13,766 ATMs in India at year-end fiscal 2016.

In our international banking operations, our primary focus is on offering products and services to persons of Indian origin, Indian businesses, select local businesses and multi-national corporations, and insured mortgage products in our Canadian subsidiary, as well as offering deposit products to the larger community. Our overseas branches take deposits, raise borrowings and make loans primarily to Indian companies for their overseas operations as well as for their foreign currency requirements in India. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom and Canada, branches in China, Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar Finance Centre, the United States, South Africa and Bahrain and representative offices in the United Arab Emirates, Bangladesh, Malaysia and Indonesia. Our subsidiary in the United Kingdom has established a branch in each of Antwerp, Belgium and Frankfurt, Germany. Our subsidiaries in the United Kingdom and Canada and our branches in Bahrain, Dubai, Singapore and Hong Kong have the largest share of our international assets and liabilities. See also *“Risk factors—Risks Relating to Our Business—We experienced rapid international growth in earlier years which has increased the complexity of the risks that we face”*.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services for corporate customers, such as forward contracts and interest rate and currency swaps. We take advantage of movements in markets to earn treasury income. Our overseas branches and subsidiaries also have investments in credit derivatives, bonds of non-India financial institutions and asset backed securities.

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during fiscal 2016, with a market share of 11.3% in new business written (on retail weighted new business premium basis) according to the Life Insurance Council. ICICI Prudential Pension Funds Management Company Limited, a 100% subsidiary of ICICI Prudential Life Insurance Company, is one of the fund managers for the pension assets of Indian citizens (other than the mandated pension funds of government employees) under the National Pension System. This pension scheme was launched by the Indian government in 2004 for all citizens on a voluntary basis, and has allowed professional fund managers to invest the scheme's funds since 2008. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2016, with a market share of 8.4% in gross written premium according to the General Insurance Council. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2016 according to the Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and of other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in

equity underwriting and brokerage and primary dealership in government securities and fixed income market operations, respectively. ICICI Securities owns *icicidirect.com*, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc. that in turn has an operating subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services. Our subsidiary ICICI Venture Funds Management Company, manages funds that make private equity investments. In fiscal 2013, ICICI Bank, in partnership with domestic and international banks and financial institutions, launched India's first infrastructure debt fund structured as a non-banking finance company in which ICICI Bank and a wholly owned subsidiary together have a shareholding of 31.0%.

Our legal name is ICICI Bank Limited but we are known commercially as ICICI Bank. We were incorporated on January 5, 1994 under the laws of India as a limited liability corporation. The duration of ICICI Bank is unlimited. Our principal corporate office is located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, India, our telephone number is +91 22 2653 1414 and our website address is [www.icicibank.com](http://www.icicibank.com). None of the contents of our and our subsidiaries' websites are incorporated in this annual report. Our agent for service of process in the United States is Mr. Akashdeep Sarpal, Joint General Manager, ICICI Bank Limited, New York Branch, 500 Fifth Avenue, Suite 2830, New York, New York 10110.

## History

ICICI was formed in 1955 at the initiative of the World Bank, the government of India and Indian industry representatives. The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. Until the late 1980s, ICICI primarily focused its activities on project finance, providing long-term funds to a variety of industrial projects. With the liberalization of the financial sector in India in the 1990s, ICICI transformed its business from a development financial institution offering only project finance to a diversified financial services provider that, along with its subsidiaries and other group companies, offered a wide variety of products and services. As India's economy became more market-oriented and integrated with the world economy, ICICI capitalized on the new opportunities to provide a wider range of financial products and services to a broader spectrum of clients. ICICI Bank was incorporated in 1994 as a part of the ICICI group.

The issue of universal banking, which in the Indian context means conversion of long-term lending institutions such as ICICI into commercial banks, had been discussed at length in the late 1990s. Conversion into a bank offered ICICI the ability to accept low-cost demand deposits and offer a wider range of products and services, and greater opportunities for earning non-fund based income in the form of banking fees and commissions. ICICI Bank also considered various strategic alternatives in the context of the emerging competitive scenario in the Indian banking industry. ICICI Bank identified a large capital base and size and scale of operations as key success factors in the Indian banking industry. In view of the benefits of transformation into a bank and the Reserve Bank of India's pronouncements on universal banking, ICICI and ICICI Bank merged in 2002.

## Shareholding Structure and Relationship with the Government of India



The following table sets forth, at June 30, 2016, certain information regarding the ownership of our equity shares.

41

	Percentage of Total Equity Shares Outstanding	Number of Equity Shares Held
Government Controlled Shareholders:		
Life Insurance Corporation of India	10.4 %	607,719,713
General Insurance Corporation of India and government-owned general insurance companies	1.7	101,586,160
UTI and UTI Mutual Fund	0.8	45,113,848
Other government-controlled institutions, mutual funds, corporations and banks	0.2	11,797,493
Total government-controlled shareholders	13.1	766,217,214
Other Indian investors:		
Individual domestic investors <sup>(1),(2)</sup>	6.1	356,448,362
Mutual funds and banks (other than government-controlled mutual funds and banks) <sup>(2)</sup>	10.1	585,487,037
Other Indian corporations and others <sup>(2)</sup>	5.6	322,899,050
Total other Indian investors	21.8	1,264,834,449
Total Indian investors	34.9	2,031,051,663
Foreign investors:		
Deutsche Bank Trust Company Americas, as depositary for ADS holders	25.4	1,476,461,326
Dodge and Cox International Stock Fund	6.4	371,911,985
Europacific Growth Fund	2.2	130,051,772
Other foreign institutional investors, foreign banks, overseas corporate bodies, foreign companies, foreign nationals, foreign institutional investors and non-resident Indians <sup>(2)</sup>	31.1	1,807,445,234
Total foreign investors	65.1	3,785,870,317
Total	100.0 %	5,816,921,980

(1) Executive officers and directors (including non-executive directors) as a group held about 0.06% of ICICI Bank's equity shares at June 30, 2016.

(2) No single shareholder in this group owned 5.0% or more of ICICI Bank's equity shares as of this date.

The holding of government-controlled shareholders was 13.1% at June 30, 2016 against 11.2% at June 30, 2015 and 11.0% at June 30, 2014. The holding of Life Insurance Corporation of India was 10.4% at June 30, 2016 against 8.5% at June 30, 2015 and 8.3% at June 30, 2014.

We operate as an autonomous commercial enterprise and the Indian government has never directly held any of our shares. We are not aware of or a party to any shareholders' agreement or voting trust relating to the ownership of the shares held by the government-controlled shareholders. We do not have any agreement with our government-controlled shareholders regarding management control, voting rights, anti-dilution or any other matter. Our Articles of Association provide that the government of India is entitled, pursuant to the provisions of guarantee agreements between the government of India and ICICI, to appoint a representative to our Board. The government of India has appointed one representative to our Board. We have traditionally invited a representative of each of the government-controlled insurance companies that are among our principal institutional shareholders, Life Insurance

Corporation of India and General Insurance Corporation of India to join our Board. There is currently a representative of Life Insurance Corporation of India but no representative of General Insurance Corporation of India on our Board. See “*Management—Directors and Executive Officers*” for a discussion of the composition of our Board of Directors.

The holding of other Indian investors was 21.8% at June 30, 2016 against 19.2% at June 30, 2015 and 19.5% at June 30, 2014. The total holding of Indian investors was 34.9% at June 30, 2016 against 30.4% at June 30, 2015 and 30.5% at June 30, 2014. The holding of foreign investors was 65.1% at June 30, 2016 against 69.6% at June 30, 2015 and 69.5% at June 30, 2014. See “*Supervision and Regulation—Reserve Bank of India Regulations—Ownership Restrictions*”. Deutsche Bank Trust Company Americas holds the equity shares represented by 738 million American Depositary Receipts outstanding as depositary on behalf of the holders of the American Depositary Shares. The American Depositary Shares are listed on the New York Stock Exchange. The Reserve Bank of India, exercising its powers under the Banking Regulation Act has notified a ceiling of 15.0% on the voting rights of a single shareholder in a banking company. Therefore, Deutsche Bank Trust Company Americas (as depositary), which held approximately 25.4% of our equity shares at June 30, 2016 can only vote 15.0% of our equity shares. In addition, under the terms of our deposit agreement, Deutsche Bank Trust Company Americas must vote these shares as directed by our Board of Directors. Our ADS holders themselves have no voting rights unlike holders of our equity shares who have voting rights. Except as stated above, no shareholder has differential voting rights. See “*Overview of the Indian Financial Sector—Structural Reforms— Amendments to the Banking Regulation Act*”.

## Strategy

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. Against this backdrop, our strategic focus was to maintain an optimal balance among profitability, risk management and growth across various businesses. During this period, we adopted a cautious approach to loan growth in the corporate segment while closely monitoring asset quality, and pursued growth in the retail portfolio.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans (including slippages from restructured loans into non-performing status) and provisions during the second half of fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. *“Risk Factors—Risks Relating to our Business—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer”, “Risk Factors—Risks Relating to our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer” and “Business—Strategy” and “Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016”.*

Due to uncertainties in certain sectors like power, mining, iron & steel, cement and rigs, led by the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under the Reserve Bank of India guidelines and Indian GAAP. See *“Operating and Financial Review and Prospects—Provisions and contingencies (excluding tax provisions)—Provisions for Non-performing Assets and Restructured Loans”.*

In fiscal 2016, we continued to focus on opportunities for sustainable profitable growth by enhancing our retail franchise, including growing our retail loan portfolio and maintaining the proportion of current and savings accounts and retail term deposits in our domestic deposit base. We continued to build our rural and inclusive banking franchise, to focus on strengthening our insurance, asset management and securities businesses, and commenced unlocking value from our investments in our insurance subsidiaries. We also continued to leverage technology to improve the customer experience as well as our operating efficiency. We adopted a cautious approach to lending to the corporate sector, and refined and strengthened the framework for managing concentration risks, including thresholds with respect to single borrower and group exposure. We maintained a strong capital position with capital adequacy ratios significantly above the regulatory requirements.

Going forward, our objective will be to sustain our robust funding profile and leverage our capital base for profitable growth with diversification of risk. Our strategic priorities are summarized below:

*Improving portfolio quality*

We will seek to improve the credit mix of our portfolio through continued focus on retail lending, and lending to higher rated companies. We believe that retail lending represents a robust growth opportunity, given India's demographic profile, rising incomes and urbanization, the under-penetration of retail credit and stable asset quality, aided by the growth of credit bureaus and improved customer data availability. In unsecured retail lending, we will continue to focus primarily on cross-sell to our existing customers.

We will seek to reduce concentration risk in our portfolio through our revised concentration risk management framework, including revised thresholds for single borrower and group exposures.

We will focus on resolution of exposures that have been impacted by the challenging economic and operating environment through asset sales by borrowers, changes in management of companies and working with stakeholders to ensure that companies are able to operate at an optimal level and generate cash flows.

We will focus on proactive monitoring of loan portfolios across businesses with use of analytics and identification of early warning signals.

*Continuing to enhance our franchise*

We will focus on sustaining our robust funding profile and maintaining a healthy proportion of current and savings account deposits and retail term deposits in our total deposits.

We will continue to leverage technology for competitive advantage in our business with a focus on innovation, customer experience, cross-sell, operating efficiency and analytics.

We will focus on cost efficiency while continuing to make investments in technology and expand our distribution network.

We will focus on capital efficiency with the objective of maintaining a healthy capital position and seek to unlock further value from our investment in subsidiaries.

Meeting customer expectations on service quality and attracting and retaining talented professionals will be important elements of our strategy.

Overview of Our Products and Services

We offer products and services in the commercial banking area to corporate and retail customers, both domestic and international. We also undertake treasury operations and offer treasury-related products and services to our customers. We are also engaged in insurance, asset management, securities business, venture capital and private equity fund management through specialized subsidiaries.

#### Commercial Banking for Retail Customers

Our commercial banking operations for retail customers consist of retail lending and deposits, credit, debit and prepaid cards, depositary share accounts, distribution of third party investment and insurance products, other fee-based products and services, and the issuance of unsecured redeemable bonds.

#### Retail Lending Activities

Our retail lending activities include home loans, automobile loans, commercial business loans (including primarily commercial vehicle loans), business banking loans (including dealer funding and small ticket loans to small businesses), personal loans, credit cards, loans against time deposits, loans against securities, loans against jewelry and retail lending in rural markets. We also fund dealers who sell automobiles and commercial vehicles. The retail portfolio increased from Rs. 1,956.9 billion constituting 43.4% of gross loans at year-end fiscal 2015 to Rs. 2,385.7 billion constituting 46.8% of gross loans at year-end fiscal 2016. This was driven primarily by growth in secured retail lending categories like mortgages, automobile loans and rural loans, resulting in an increase in the retail portfolio. We also selectively offer unsecured products such as personal loans and credit cards to our customers. We believe that retail credit has a robust long-term growth potential due to rising income levels and expansion of the middle class.

Our retail asset products are generally fixed rate products repayable in equated monthly installments other than our floating rate home loan portfolio, where any change in the benchmark rate to which the rate of interest on the loan is referenced is passed on to the borrower on the first day of the succeeding quarter or succeeding month, as applicable. Any decrease in the rate of interest payable on floating rate home loans is generally implemented by an acceleration of the repayment schedule, keeping the monthly installment amount unchanged. Any increase in the rate of interest payable on floating rate home loans is generally effected in the first instance by an extension of the repayment schedule, keeping the monthly installment amount unchanged, and based on certain criteria, by changing the monthly installment amount. See also “*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*”.

### Commercial Banking for Rural and Agricultural Customers

Our rural banking operation caters to the financial requirements of customers in rural and semi-urban locations, primarily engaged in agriculture and allied activities. We offer a comprehensive product suite covering the entire agricultural value chain including farmers, commodity traders, seed and farm input dealers and processors. The Reserve Bank of India’s directed lending norms also require us to lend a portion of advances to the agricultural sector and micro enterprises. See also “—Loan Portfolio—Directed Lending”. We offer financial solutions to micro-finance institutions, self-help groups, co-operatives constituted by farmers, corporations and medium enterprises engaged in agriculture-linked businesses. Rural banking services are offered through multiple channels including branches, micro ATMs, point of sale terminals and mobile branches. We have tied up with telecom companies to offer mobile based banking services. Our rural customers can also avail themselves of basic banking facilities at retail outlets like grocery shops and customer service points through business correspondents. As per the requirement of the Reserve Bank of India, we have formulated a board-approved financial inclusion plan to provide financial services to customers residing in rural and unbanked areas. From fiscal 2015, we have supported the government’s financial inclusion initiative to provide a bank account to every household in unbanked areas of the country. We have enabled remittances and account based transfers, based on Aadhaar, India’s unique identification number, for our customers who are beneficiaries of direct benefit transfers under the social security schemes of the government of India. During fiscal 2016, we began offering insurance and pension products to our customers. Rural banking presents significant challenges in terms of geographical coverage and high unit transaction costs. We are continuously exploring various models for operating through cost effective structures in rural locations, including technology-based channels and have opened 472 low cost branches in rural locations, which offer basic banking services to rural customers. See also “*Risk Factors—Risks Relating to Our Business— Entry into new businesses or rapid growth in existing loan portfolios may expose us to increased risks that may adversely affect our business*”.

The following table sets forth, at the dates indicated, the break-down of our gross retail finance portfolio.

At March 31,				
2014	2015	2016	2016	2016
(Rs. in billions)			(%	(US\$ in
			share)	millions)



Edgar Filing: ICICI BANK LTD - Form 20-F

Home loans	Rs. 891.1	Rs. 1,094.0	Rs. 1,334.3	56.0	%	US\$20,141
Automobile loans	155.1	190.0	224.6	9.4		3,391
Commercial business loans	125.3	109.4	129.2	5.4		1,949
Business banking <sup>(1)</sup>	57.8	73.2	80.9	3.4		1,221
Others <sup>(2),(3)</sup>	268.5	332.2	398.8	16.7		6,020
Total secured retail finance portfolio	1,497.8	1,798.8	2,167.8	90.9	%	32,722
Personal loans	46.9	71.3	102.2	4.3		1,542
Business banking <sup>(1)</sup>	25.4	23.9	33.3	1.4		503
Credit card receivables	36.2	41.4	55.2	2.3		833
Others <sup>(2)</sup>	15.0	21.5	27.2	1.1		411
Total unsecured retail finance portfolio	123.5	158.1	217.9	9.1	%	3,289
Total retail finance portfolio	Rs. 1,621.3	Rs. 1,956.9	Rs. 2,385.7	100.0	%	US\$36,011

(1) Includes dealer financing and small ticket loans to small businesses.

(2) Includes rural loans and loans against securities.

(3) Includes loans against foreign currency non-resident (bank) deposits of Rs. 91.8 billion at March 31, 2016.

Our unsecured retail portfolio primarily includes personal loans and loans against credit card receivables. Following the global financial crisis leading to increase in interest rates, tightening liquidity and challenging macro-economic environment and also changes in regulations pertaining to the use of recovery agents by banks, we witnessed higher than anticipated losses in the unsecured retail portfolio. We reduced incremental lending in personal loans and credit card issuances, resulting in a decline in the overall unsecured retail lending portfolio. Since fiscal 2013, we have been growing our personal loans and credit card lending portfolio, primarily by offering these products to our existing customers. During fiscal 2016, ICICI Bank's personal loan disbursements, at Rs. 74.1 billion, were about 7.9% of total retail loan disbursements and the number of outstanding credit cards increased from around 3.3 million at year-end fiscal 2015 to about 3.7 million at year-end fiscal 2016. ICICI Bank's personal loans typically range from Rs. 50,000 to Rs. 4,000,000 in size with tenors of one to five years and yields ranging from 11-22%. At year-end fiscal 2016, our personal loans portfolio was Rs. 102.2 billion compared to Rs. 71.3 billion at year-end fiscal 2015. The credit card receivables portfolio at year-end fiscal 2016 was Rs. 55.2 billion compared to Rs. 41.4 billion at year-end fiscal 2015. The proportion of unsecured retail loans in the total retail portfolio was 9.1% at year-end fiscal 2016 compared to 8.1% at year-end fiscal 2015 and 7.6% at year-end fiscal 2014.

We offer retail lending products primarily in India through ICICI Bank and our wholly owned subsidiary, ICICI Home Finance Company Limited. Our home loan portfolio includes both loans for the purchase and construction of homes as well as loans against property. Our policies for such loans are based on certain stipulated ratios such as the loan-to-value ratio and the ratio of fixed debt obligations to a borrower's income. In October 2015, the Reserve Bank of India revised the loan-to-value ratios for small size loans and capped the loan-to-value ratio at 90% for home loans up to Rs. 3.0 million, and at 80% for home loans between Rs. 3.0 million and Rs. 7.5 million. Loans above Rs. 7.5 million have a maximum loan-to-value ratio of 75.0%. The initial repayment term of such loans is 15 to 20 years with payments in the form of equated monthly installments. We conduct a part of our housing loan business through ICICI Home Finance Company.

Our banking subsidiary in Canada offers residential mortgages in the local market. The mortgages are insured and primarily have federal-backed insurance. At year-end fiscal 2016, ICICI Bank Canada held total residential mortgages amounting to CAD 3,240 million (Rs. 166.0 billion) as compared to CAD 2,854 million (Rs. 140.0 billion) at year-end fiscal 2015. This includes mortgages of CAD 2,968 million (Rs. 152.0 billion) at year-end fiscal 2016 as compared to CAD 2,567 million (Rs. 125.9 billion) at year-end fiscal 2015 securitized under the Canadian National Housing Act – Mortgage Backed Securities program or through participation in the Canada Mortgage Bonds program.

## Retail Deposits

Our retail deposit products include time deposits and savings account deposits. We also offer targeted products to specific customer segments such as high net worth individuals, defense personnel, trusts and businessmen, and have corporate salary account products. We offer current account (i.e., checking accounts for businesses) products to our small enterprise customers, who maintain balances with us. Further, we offer an international debit card in association with VISA International. At year-end fiscal 2016, we had a debit card base in excess of 32 million cards.

We are currently placing enhanced emphasis on increasing our current and savings account deposit base and improving the proportion of current and savings accounts in our total deposits. Expansion of our branch network in India and leveraging technology to improve the customer experience are critical elements of our strategy. We have been expanding our offerings through mobile phones, including mobile banking applications for account access and various transactions, and a mobile wallet. We open new customer accounts by using tablets to capture customer information digitally. We have introduced contactless payment solutions through mobile phones. By offering our products and services through technology-enabled channels, we aim to improve the customer experience as well as the efficiency of our operations.

For a description of the Reserve Bank of India's regulations applicable to deposits in India and required deposit insurance, see "*Supervision and Regulation—Reserve Bank of India Regulations—Regulations Relating to Deposits*" and "*Supervision and Regulation—Deposit Insurance*". For more information on the type, cost and maturity profile of our deposits, see "*Business—Funding*".

## Fee-Based Products and Services

Through our distribution network, we offer various products including government of India savings bonds, insurance policies, bullion and public offerings of equity shares and debt securities by Indian companies. We offer several card-based products such as credit cards, debit cards, prepaid cards, travel cards and commercial cards. We also offer a variety of mutual fund products. We levy services charges on deposit accounts.

We also offer foreign exchange products to retail customers including sale of currency notes, traveler's checks and travel cards. We also facilitate retail inward remittances from foreign geographies.

As a depository participant of the National Securities Depository Limited and Central Depository Services (India) Limited, we offer depository share accounts to settle securities transactions in a dematerialized mode. Further, we are one of the banks designated by the Reserve Bank of India for issuing approvals to non-resident Indians and overseas corporate bodies to trade in shares and convertible debentures on the Indian stock exchanges.

## Lending to Small and Medium Enterprises

We have segmented offerings for the small and medium enterprise sector while adopting a cluster based financing approach to fund small enterprises that have a homogeneous profile such as engineering, information technology, transportation and logistics and pharmaceuticals. We also offer supply chain financing solutions to the channel partners of corporate clients and business loans (in the form of cash credit/overdraft/term loans) to meet the working capital needs of small businesses. We are also proactively reaching out to small and medium enterprises through various initiatives such as the "SME toolkit" —an online business and advisory resource for small and medium enterprises; and the "Emerging India Awards" —a small and medium enterprises recognition platform. We also offer fee-based products and services including transaction banking services, documentary credits and guarantees to small and medium enterprises.

## Commercial Banking for Corporate Customers

We provide a range of commercial and investment banking products and services to India's leading corporations and middle market companies. Our product suite includes working capital and term loan products, fee and commission-based products and services, deposits and foreign exchange and derivatives products. The Corporate Banking Group focuses on origination and coverage of all corporate clients. The Corporate Banking Group comprises relationship and credit teams. The Commercial Banking Group is responsible for growing the trade services and transaction banking business through identified branches, while working closely with the corporate relationship teams. The Markets Group provides foreign exchange and other treasury products to corporations. The Project Finance Group

focuses on origination of large project finance mandates. We seek to syndicate corporate and project financing among domestic and international banks and institutions.

#### Corporate Loan Portfolio

Our corporate loan portfolio consists of project and corporate finance (including structured finance and cross-border acquisition financing) and working capital financing. For further details on our loan portfolio, see “—*Loan Portfolio—Loan Concentration*”. For a description of our credit rating and approval system, see “—*Risk Management—Credit Risk*”.

Project financing constitutes a significant portion of our loan portfolio. Our project finance business consists principally of extending medium-term and long-term rupee and foreign currency loans to the manufacturing and infrastructure sectors. We also provide financing by way of investment in marketable instruments such as fixed rate and floating rate debentures. We generally have a security interest and first charge on the fixed assets of the borrower. Our working capital financing consists mainly of cash credit facilities, overdraft, demand loans and non-fund based facilities including bill discounting, letters of credit and guarantees. For more details on our credit risk procedures, see “—*Risk Management—Credit Risk*”.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results. We have adopted a cautious approach in incremental lending by focusing on lending to higher rated corporations and adopting a revised framework for management of concentration risk. See also “*Risk Factors—Risks Relating to Our Business—If we are not able to control the level of non-performing assets in our portfolio, our business will suffer*” and “*Business—Strategy*” and “*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016*”.

#### Fee and Commission-Based Activities

We generate fee income from our syndication, structured financing and project financing activities. We seek to leverage our project financing and structuring skills and our relationships with companies and financial institutions and banks to earn fee incomes from structuring and syndication.

We offer our corporate customers a wide variety of fee and commission-based products and services including documentary credits and standby letters of credit (called guarantees in India).

We also offer commercial banking services such as cash management services (such as collection, payment and remittance services), escrow, trust and retention account facilities, online payment facilities, custodial services and tax collection services on behalf of the government of India and the governments of Indian states. At year-end fiscal 2016, total assets held in custody on behalf of our clients (mainly foreign institutional investors, offshore funds, overseas corporate bodies and depository banks for GDR investors) were Rs. 2,097.9 billion. As a registered depository participant of National Securities Depository Limited and Central Depository Services (India) Limited, the two securities depositories operating in India, we also provide electronic depository facilities to investors.

## Corporate Deposits

We offer a variety of deposit products to our corporate customers including current accounts, time deposits and certificates of deposits. For more information on the type, cost and maturity profile of our deposits, see “—*Business—Funding*”.

## Foreign Exchange and Derivatives

We provide customer specific products and services, which cater to risk hedging needs of corporations at domestic and international locations, arising out of currency and interest rate fluctuations. The products and services include:

### *Foreign Exchange Products*

Products include cash, spot and forwards transactions. We offer customized hedging and trading solutions to clients, on the basis of their business needs. These products are offered in India and across our international locations.

### *Derivatives*

We offer derivative products including interest rate swaps, currency swaps and options in all major currencies.

## Commercial Banking for International Customers

Our strategy for growth in international markets is based on leveraging home country links and technology for international expansion in selected international markets. Our international strategy is focused on building a retail deposit franchise in geographies where we have such licenses, meeting the foreign currency needs of our Indian corporate clients, taking select non-India trade finance exposures linked to imports to India, carrying out select local lending and achieving the status of the preferred non-resident Indian community bank in key markets. We also seek to build stable wholesale funding sources and strong syndication capabilities to support our corporate and investment banking business, and to expand private banking operations for India-centric asset classes.

At March 31, 2016, we had subsidiaries in the United Kingdom and Canada, branches in Bahrain, Dubai International Finance Center, Hong Kong, China, Singapore, Sri Lanka, Qatar Financial Centre South Africa and the United States and representative offices in Bangladesh, Indonesia, Malaysia and the United Arab Emirates. Our subsidiary in the United Kingdom has established a branch in Antwerp, Belgium and a branch in Frankfurt, Germany.

Many of the commercial banking products that we offer through our overseas branches and subsidiaries, as well as to international customers from our domestic network, such as debt financing, trade finance and letters of credit, are similar to the products offered to our customers in India. Some of the products and services that are unique to international customers are:

**Remittance services:** We offer a host of remittance services tailored to meet the needs of diverse customer segments. To facilitate easy transfer of funds to India, we offer a suite of online as well as offline money transfer services that enable non-resident Indians from across 48 countries worldwide to send money to any beneficiary in India with a wide choice of delivery channels including electronic transfers to accounts. With partnerships with over 200 correspondent banks and exchange houses worldwide, the Bank is a significant participant in facilitating cross-border remittance flows into India. In fiscal 2016, we launched “Money2World”, a fully-online outward remittance service. Through this service, even non-account holders of ICICI Bank can transfer money online from any bank account in India to any bank account overseas in 16 major currencies.

**TradeWay:** An Internet-based document collection product to provide correspondent banks access to real-time online information on the status of their export bills collections routed through us.

**Remittance Tracker:** An Internet-based application that allows a correspondent bank to check on the status of its payment instructions and to get various information reports online.

**Offshore banking deposits:** Multi-currency deposit products in U.S. dollar, pound sterling and euro.



Foreign currency non-resident deposits: Foreign currency deposits offered in nine main currencies —U.S. dollar, pound sterling, euro, yen, Canadian dollar, Singapore dollar, Australian dollar, Hong Kong dollar and Swiss franc.

- Non-resident external fixed deposits: Deposits maintained in Indian rupees.

- Non-resident external savings account: Savings accounts maintained in Indian rupees.

- Non-resident ordinary savings accounts and non-resident ordinary fixed deposits.

Total assets (net of inter-office balances) of ICICI Bank's overseas branches at year-end fiscal 2016 were Rs. 1,188.4 billion and total advances were Rs. 938.1 billion compared to total assets of Rs. 1,203.8 billion and total advances of Rs. 941.2 billion at year-end fiscal 2015. Our overseas branches are primarily funded by debt capital market borrowings, syndicated/bilateral loans and borrowings from external commercial agencies. See also "*Risk Factors—Risks Relating to Our Business—Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected*".

Our subsidiaries in the United Kingdom and Canada are full service banks offering retail and corporate banking services. In the United Kingdom and Canada, our subsidiaries offer direct banking using the internet as the access channel.

At year-end fiscal 2016, ICICI Bank UK PLC has eight branches in the United Kingdom and a branch in Belgium and Germany. At year-end fiscal 2016, the total assets of ICICI Bank UK PLC were US\$ 4.6 billion. ICICI Bank UK made a net profit of US\$ 0.5 million during fiscal 2016, compared to US\$ 18 million during fiscal 2015.

At year-end fiscal 2016, ICICI Bank Canada had eight branches and total assets of CAD 6.5 billion. ICICI Bank Canada made a net profit of CAD 22 million in fiscal 2016 as compared to CAD 34 million in fiscal 2015.

See also “*Risk Factors—Risks Relating to India and Other Economic and Market Risks—Financial instability in other countries, particularly emerging market countries and countries where we have established operations, could adversely affect our business and the price of our equity shares and ADSs*” and “*Risk Factors—Risks Relating to Our Business—We experienced rapid international growth in earlier years, which has increased the complexity of the risks that we face*”.

#### Delivery Channels

We deliver our products and services through a variety of channels, ranging from traditional bank branches to ATMs, call centers, the Internet and mobiles. At year-end fiscal 2016, we had a network of 4,450 branches across several Indian states.

The following table sets forth the number of branches broken down by area at year-end fiscal 2016.

	At March 31, 2015		At March 31, 2016	
	Number of branches and extension counters	% of total	Number of branches and extension counters	% of total
Metropolitan	1,012	25.0 %	1,159	26.0 %
Urban	932	23.0	997	22.4
Semi-urban	1,218	30.1	1,341	30.1
Rural	888	21.9	953	21.4
Total branches and extension counters	4,050	100.0%	4,450	100.0%

As a part of its branch licensing conditions, the Reserve Bank of India has stipulated that at least 25.0% of our branches must be located in tier 5 and tier 6 centers defined on the basis of the population size according to the 2001

census. See also “*Supervision and Regulation—Regulations Relating to the Opening of Branches*”. At year-end fiscal 2016, we were in compliance with this condition. At year-end fiscal 2016, we had 13,766 ATMs, of which 4,603 were located at our branches. We view our branch as key points of customer acquisition and service. The branch network serves as an integrated channel for deposit mobilization and selected retail asset origination.

We believe that developments in technology are changing the way customers engage with banks and meet their banking needs. We offer our products and services through a number of technology-enabled channels. Our customers can perform a wide range of transactions at our ATMs. We are also deploying automated devices, such as cash acceptance machines, at our branches to improve customer experience as well as efficiency of our operations. Our employees open new customer accounts by using tablets to capture customer information digitally. Through our website, [www.icicibank.com](http://www.icicibank.com), we offer our customers, both retail and corporate, online access to account information, payment and fund transfer facilities and various other services including purchase of investment and insurance products. We provide telephone banking facilities through our call centers. We are expanding our suite of services through mobile telephones, including mobile banking applications for account access and various transactions, and a mobile wallet. Our customers can also access their accounts and perform transactions via social media platforms. See also “*Technology*”.

#### Investment Banking

Our investment banking operations principally consist of ICICI Bank’s treasury operations and the operations of ICICI Securities Primary Dealership Limited and ICICI Securities Limited.

## *Treasury*

Through our treasury operations, we seek to manage our balance sheet, including the maintenance of required regulatory reserves, and to optimize profits from our trading portfolio by taking advantage of market opportunities. Our domestic trading and securities portfolio includes our regulatory reserve portfolio, as there is no restriction on active management of our regulatory reserve portfolio. Our treasury operations include a range of products and services for corporate and small enterprise customers, such as forward contracts and interest rate and currency swaps, and foreign exchange products and services. See also “—*Commercial Banking for Corporate Customers—Foreign Exchange and Derivatives*”.

Our treasury undertakes liquidity management by seeking to maintain an optimum level of liquidity and complying with the cash reserve ratio requirement and ensuring the smooth functioning of all our branches. We maintain a balance between interest-earning liquid assets and cash to optimize earnings and undertake reserve management by maintaining statutory reserves, including the cash reserve ratio and the statutory liquidity ratio. At year-end fiscal 2016, ICICI Bank was required to maintain the statutory liquidity ratio requirement percentage at 21.5% of its domestic net demand and time liabilities by way of approved securities such as government of India securities and state government securities. We maintain the statutory liquidity ratio through a portfolio of government of India securities that it actively manages to optimize the yield and benefit from price movements. During fiscal 2016 there was no change in the statutory liquidity ratio requirement. The statutory liquidity ratio is scheduled to come down progressively by 25 basis points every quarter in fiscal 2017 to 20.5%. Further, as a prudent liquidity management strategy, we generally maintain excess investments in securities eligible for classification under the statutory liquidity ratio requirement. See also “*Supervision and Regulation—Legal Reserve Requirements*”.

ICICI Bank engages in domestic investments and foreign exchange operations from a centralized trading floor in Mumbai. As a part of our treasury activities, we also maintain proprietary trading portfolios in domestic debt and equity securities and in foreign currency assets. Our treasury manages our foreign currency exposures and the foreign exchange and risk hedging derivative products offered to our customers and engages in proprietary trading in currencies. Our investment and market risk policies are approved by the Board of Directors.

ICICI Bank’s domestic investment portfolio is classified into three categories —held-to-maturity, available-for-sale and held for trading. Investments are classified as held-to-maturity subject to the current regulation issued by the Reserve Bank of India. Investments acquired by us with the intention to trade by taking advantage of the short-term price/interest rate movements are classified as held for trading. The investments which do not fall in the above two categories are classified as available-for-sale. Investments under the held for trading category should be sold within 90 days. Under each category the investments are classified under (a) government securities (b) other approved securities (c) shares (d) bonds and debentures (e) subsidiaries and joint ventures and (f) others. Investments classified under the held-to-maturity category are not marked to market and are carried at acquisition cost, unless the acquisition cost is more than the face value, in which case the premium is amortized over the period until maturity of such securities. At year-end fiscal 2016, 80.9% of ICICI Bank’s government securities portfolio was in the held-to-maturity category. The individual securities in the available-for-sale category are marked to market. Investments under this category are valued security-wise and depreciation/appreciation is aggregated for each classification. Net depreciation, if any, is provided for. Net appreciation, if any, is ignored. The individual securities in the held for trading category are

accounted for in a similar manner as those in the available-for-sale category.

The following tables set forth, at the dates indicated, certain information related to our available-for-sale investments portfolio.

Edgar Filing: ICICI BANK LTD - Form 20-F

At March 31, 2014				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 117,214	Rs. 2,260	Rs. (1,909 )	Rs. 117,565
Government securities	202,088	745	(535 )	202,298
Other debt securities <sup>(1)</sup>	139,277	1,789	(829 )	140,237
Total debt securities	458,579	4,794	(3,273 )	460,100
Equity securities	38,307	12,176	(6,999 )	43,484
Other investments <sup>(2)</sup>	32,893	3,431	(5,942 )	30,382
Total	Rs. 529,779	Rs. 20,401	Rs. (16,214)	Rs. 533,966

(1) Includes credit linked notes.

(2) Includes preference shares, mutual fund units, venture fund units and security receipts.

At March 31, 2015				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 130,904	Rs. 1,882	Rs. (385 )	Rs. 132,401
Government securities	207,817	790	(187 )	208,420
Other debt securities	126,776	3,766	(493 )	130,049
Total debt securities	465,497	6,438	(1,065 )	470,870
Equity securities	46,898	23,767	(8,652 )	62,013
Other investments <sup>(1)</sup>	24,462	3,637	(5,493 )	22,606
Total	Rs. 536,857	Rs. 33,842	Rs. (15,210)	Rs. 555,489

(1) Includes preference shares, mutual fund units, venture fund units and security receipts.

At March 31, 2016				
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
	(in millions)			
Corporate debt securities	Rs. 118,778	Rs. 2,201	Rs. (1,102 )	Rs. 119,877
Government securities	246,801	611	(23 )	247,389
Other debt securities	110,434	1,436	(662 )	111,208
Total debt securities	476,013	4,248	(1,787 )	478,474
Equity securities	63,841	21,587	(10,860)	74,568
Other investments <sup>(1)</sup>	23,674	2,691	(409 )	25,956
Total	Rs. 563,528	Rs. 28,526	Rs. (13,056)	Rs. 578,998

- (1) Includes preference shares, mutual fund units, venture fund units and security receipts.

The investments in corporate debt securities decreased from Rs. 130.9 billion at year-end fiscal 2015 to Rs. 118.8 billion at year-end fiscal 2016, primarily due to a decrease in investment by ICICI Bank in corporate bonds. The investments in other debt securities decreased from Rs. 126.8 billion at year-end fiscal 2015 to Rs. 110.4 billion at year-end fiscal 2016, primarily due to a decrease in investment by ICICI Bank in pass through certificate securities with underlying Indian receivables. The investment in government securities increased from Rs. 207.8 billion at year-end fiscal 2015 to Rs. 246.8 billion at year-end fiscal 2016 primarily due to an increase in our government securities portfolio. Investments in equity shares increased from Rs. 46.9 billion at year-end fiscal 2015 to Rs. 63.8 billion at year-end fiscal 2016 primarily due to an increase in the equity portfolio of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company.

Net unrealized gain on debt investments decreased from Rs. 5.4 billion at year-end fiscal 2015 to Rs. 2.5 billion at year-end fiscal 2016 primarily due to a decrease in net unrealized gain on other debt securities from Rs. 3.3 billion at year-end fiscal 2015 to Rs. 0.8 billion at year-end fiscal 2016. Net unrealized gain on other debt securities decreased primarily due to a decrease in net unrealized gains on India-linked pass through certificates. Net unrealized gain on equity securities decreased from Rs. 15.1 billion at year-end fiscal 2015 to Rs. 10.7 billion at year-end fiscal 2016. The benchmark equity index, the BSE Sensex, declined by 9.4% from

27,957 at year-end fiscal 2015 to 25,342 at year-end fiscal 2016. Compared to a net unrealized loss of Rs. 1.9 billion on other investments at year-end fiscal 2015, we had a net unrealized gain of Rs. 2.3 billion on other investments at year-end fiscal 2016 primarily due to a decrease in net mark-to-market losses on security receipts issued by asset reconstruction companies.

The following table sets forth, for the periods indicated, income from available-for-sale securities.

	Year ended March 31,			
	2014	2015	2016	2016
	(in millions)			
Interest	Rs.35,837	Rs.31,219	Rs.30,766	US\$464
Dividend	1,393	1,025	1,180	18
Total	Rs.37,230	Rs.32,244	Rs.31,946	US\$482
Gross realized gain	8,031	13,394	8,413	US\$127
Gross realized loss	(2,680)	(1,609)	(4,028)	(61)
Total	Rs.5,351	Rs.11,785	Rs.4,385	US\$66

Interest and dividend income from our available-for-sale securities portfolio decreased from Rs. 32.2 billion in fiscal 2015 to Rs. 31.9 billion in fiscal 2016. The net realized gain from our available-for-sale securities decreased from Rs. 11.8 billion in fiscal 2015 to Rs. 4.4 billion in fiscal 2016 primarily due to net realized losses from the equity portfolio in fiscal 2016 as compared to net realized gain in fiscal 2015 and lower net realized gain from the fixed income portfolio in fiscal 2016.

The following table sets forth, at the date indicated, an analysis of the maturity profile of our investments in debt securities classified as available-for-sale investments, and yields thereon. This maturity profile is based on repayment dates and does not reflect re-pricing dates of floating rate investments.

	At March 31, 2016							
	Up to one year		One to five years		Five to ten years		More than ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(in millions, except percentages)							
Corporate debt securities	Rs.23,110	3.6%	Rs.57,974	7.4%	Rs.30,043	9.2%	Rs.7,651	9.0%
Government securities	134,703	5.3	105,645	8.1	6,388	7.8	65	8.2
Other securities	66,522	8.1	41,658	7.5	736	12.3	1,518	2.4
<b>Total amortized cost of interest-earning securities<sup>(1)</sup></b>	Rs.224,335	5.9%	Rs.205,277	7.8%	Rs.37,167	9.0%	Rs.9,234	7.9%
Total fair value	Rs.226,177		Rs.206,044		Rs.36,974		Rs.9,280	



- (1) Includes securities denominated in different currencies.

The amortized cost of our held-to-maturity portfolio increased from Rs. 1,163.2 billion at year-end fiscal 2015 to Rs. 1,226.0 billion at year-end fiscal 2016 primarily due to an increase in investment in government securities. Net unrealized gain on held-to-maturity portfolio decreased from Rs. 20.5 billion at year-end fiscal 2015 to Rs. 14.5 billion at year-end fiscal 2016 primarily due to realization of gain on sale of government securities. Interest income on held-to-maturity debt portfolio increased from Rs. 87.2 billion in fiscal 2015 to Rs. 93.5 billion in fiscal 2016 due to an increase in portfolio, offset, in part, by a decrease in yield.

Investments in held-for-trading securities increased from Rs. 281.4 billion at year-end fiscal 2015 to Rs. 308.4 billion at year-end fiscal 2016 primarily due to an increase in investment in government securities and commercial paper. Interest and dividend income on held-for-trading securities decreased from Rs. 18.3 billion in fiscal 2015 to Rs. 17.8 billion in fiscal 2016 primarily due to a decrease in dividend income on the held-for-trading portfolio. Net realized and unrealized gains on the held-for-trading portfolio decreased from Rs. 6.7 billion in fiscal 2015 to Rs. 1.8 billion in fiscal 2016 primarily due to lower gains on sale of government and other domestic fixed income securities during fiscal 2016.

At year-end fiscal 2016, we have investments in equity shares amounting to Rs. 75.2 billion. The Reserve Bank of India restricts investments in equity securities by banks by prescribing limits linked to capital funds.

See also “*Supervision and Regulation—Reserve Bank of India Regulations—Regulations Relating to Investments and Capital Market Exposure Limits*”.

In general, we pursue a strategy of active management of our long-term equity portfolio to maximize our return on investment. To ensure compliance with the Securities and Exchange Board of India’s insider trading regulations, all dealings in our equity and debt investments in listed companies are undertaken by our treasury’s equity and corporate bonds dealing desks, which are segregated from both the other groups and desks in the treasury and from our other business groups, and which do not have access to unpublished price sensitive information about these companies that may be available to us as a lender.

We deal in several major foreign currencies and take deposits from non-resident Indians in major foreign currencies. We also manage onshore accounts in foreign currencies. The foreign exchange treasury manages our portfolio through money market and foreign exchange instruments to optimize yield and liquidity.

We provide a variety of risk management products to our corporate and small and medium enterprise clients, including foreign currency forward contracts and currency and interest rate swaps. We control market risk and credit risk on our foreign exchange trading portfolio through an internal model which sets counterparty limits, stop-loss limits and limits on the loss of the entire foreign exchange trading operations and exception reporting. See also “—*Risk Management—Quantitative and Qualitative Disclosures About Market Risk—Exchange Rate Risk*”.

Through our branches and subsidiaries outside India and our offshore banking unit in Mumbai, we have made investments in corporate and financial sector bonds and debt securities and mortgage and asset backed securities outside India.

The following table sets forth, at the date indicated, investments in corporate and financial sector debt securities and mortgage and asset backed securities by our overseas branches and banking subsidiaries by region and the mark-to-market and realized losses thereon.

At March 31, 2015							
Asset backed securities (1),(2)	Bonds(2),(3)	Others	Total	Mark-to-market gain/(loss) in fiscal 2015	Realized gain/(loss) in income statement for fiscal	Mark-to-market gain/ (loss) at March 31, 2015	
Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	Trading and held-to-maturity	

	(Rs. in millions)					2015					
U.S.	-	-	-	671	-	-	-	671	6	0	1
Canada	-	55	-	32,455	-	625	-	33,135	(45 )	(19 )	311
Europe	-	7,942	-	3,003	-	-	-	10,945	421	(1 )	(1,006 )
India	-	-	-	30,984	-	-	-	30,984	557	374	377
Rest of Asia	-	-	-	8	-	1,875	-	1,883	0	15	0
Total portfolio	-	7,997	-	67,121	-	2,500	-	77,618	939	369	(317 )

(1) Includes residential mortgage backed securities, commercial mortgage backed securities and other asset backed securities.

Includes asset backed securities and bonds classified under loans and receivable by our UK subsidiary including those transferred in fiscal 2009 from investment to loans and receivables pursuant to Accounting Standard Board (2) issuing amendments to "FRS 26 – 'Financial Instruments: Recognition and Measurement' which permitted reclassification of financial assets in certain circumstances from 'held for trading' and 'available-for-sale categories' to the 'loans and receivables' category.

(3) Includes corporate bonds classified under loans and receivables by our Canadian subsidiary during fiscal 2014.



The following table sets forth a summary of the investment portfolio of our overseas branches and banking subsidiaries based on the category of investments.

Category	At March 31	
	2015	2016
	(in millions)	
Bonds		
Banks and financial institutions	Rs. 25,901	Rs. 35,133
Corporate	41,221	61,246
Total bonds	67,122	96,379
Asset backed securities	7,997	5,016
Others <sup>(1)</sup>	2,499	1,325
Total	Rs. 77,618	Rs. 102,720

(1) Includes investments in certificates of deposits.

Our investments in securities of banks and financial institutions are spread over a number of banks and of this the investment in the top 10 banks accounted for approximately 89.2% of the total investments in banks and financial institutions at year-end fiscal 2016 as compared to approximately 90.6% at year-end fiscal 2015. Approximately 31.6% of our investment in securities of corporate entities was India-linked at year-end fiscal 2016 as compared to approximately 24.6% at year-end fiscal 2015.

Our total investment in asset backed securities represents less than 0.5% of our total assets at year-end fiscal 2016. The portfolio size of such securities was Rs. 5.0 billion and primarily comprised retail mortgage backed securities. The retail mortgage backed securities portfolio consists primarily of UK residential mortgage backed securities backed by prime and buy-to-let mortgages.

At year-end fiscal 2016, the fair value of investments in the government securities held by our overseas branches and banking subsidiaries was Rs. 45.2 billion, which was primarily in Canada.

The investments in these securities are governed by the respective investment policies of ICICI Bank and its banking subsidiaries. To mitigate significant concentrations in credit risk, the investment policy lays down a number of limits that need to be adhered to before investments can be made. The investment policy lays down rating and issuer wise investment limits at each of these units. Further, there are counterparty limits for individual banks and financial institutions. Country exposure limits have also been established for various countries. In addition, ICICI Bank monitors the credit spread risk arising out of such investments while ICICI Bank UK has instituted credit spread sensitivity limits on its portfolio. Any exceptions to the above limits are made with due approvals from the appropriate forums. ICICI Bank has not bought credit protection against any of its international investments.

#### ICICI Securities Limited

ICICI Securities Limited is an integrated securities firm offering a wide range of services including investment banking, institutional broking, retail broking, private wealth management, and financial product distribution. ICICI Securities Limited has an online share trading portal called [icidirect.com](http://icidirect.com). The primary objective of [icidirect.com](http://icidirect.com) is to enable individuals to make investments and to offer a wide range of investment options by providing a seamless structure that integrates a customer's bank account, demat account and trading account. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has a subsidiary in the United States, ICICI Securities Inc., which is engaged in brokerage services and has a branch office in Singapore where it holds the capital markets services license for dealing in securities in Singapore. ICICI Securities is also registered as an international dealer in Canada in the provinces of British Columbia, Ontario and Quebec. ICICI Securities Limited (consolidated) made a net profit of Rs. 2.4 billion in fiscal 2016 compared to a net profit of Rs. 2.9 billion in fiscal 2015.

#### ICICI Securities Primary Dealership

ICICI Securities Primary Dealership is engaged in the primary dealership of Indian government securities. It also deals in other fixed income securities. In addition to this, it has underwriting, portfolio management services and placement of debt and money market operations. ICICI Securities Primary Dealership made a net profit of Rs. 2.0 billion in fiscal 2016 compared to a net profit of Rs. 2.2 billion in fiscal 2015. The revenues of the business are directly linked to conditions in the fixed income market.

## Venture Capital and Private Equity

Our subsidiary ICICI Venture Funds Management Company Limited manages funds that provide venture capital funding to start-up companies and private equity to a range of companies. ICICI Venture is a diversified specialist alternative asset manager with a presence across private equity, real estate, infrastructure and special situations. At year-end fiscal 2016, ICICI Venture managed or advised funds of about Rs. 129.9 billion (based on total commitments). In fiscal 2016, ICICI Venture concluded its first closing at US\$ 190 million (including co-investment capital). The company concluded a diverse range of investments across various funds into sectors such as consumer products and services, retail and financial services. ICICI Venture incurred a loss of Rs. 0.21 billion in fiscal 2016 compared to a net profit of Rs. 0.01 billion in fiscal 2015.

## Asset Management

We provide asset management services through our subsidiary, ICICI Prudential Asset Management Company. ICICI Prudential Asset Management Company is a joint venture with Prudential PLC of the United Kingdom. We have approximately 51.0% interest in the entity. ICICI Prudential Asset Management Company also provides portfolio management services and advisory services to clients. ICICI Prudential Asset Management Company had average mutual fund assets under management of Rs. 1,758.8 billion during fiscal 2016. ICICI Prudential Asset Management Company made a net profit of Rs. 3.3 billion during fiscal 2016 compared to a net profit of Rs. 2.5 billion in fiscal 2015.

## Insurance

We provide a wide range of insurance products and services through our subsidiaries ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company are joint ventures with Prudential Corporation Holding Limited, a part of the Prudential PLC group of the United Kingdom and Fairfax Financial Holdings of Canada, respectively. In fiscal 2015, the Indian parliament approved legislation increasing the foreign shareholding limit in the insurance sector from 26.0% to 49.0%, and removing the requirement that promoters of insurance companies eventually reduce their shareholding to 26.0% following the completion of 10 years of commencement of business by the insurance company. In March 2015, the government of India issued regulations regarding foreign shareholding in the insurance sector, which were subsequently amended in July 2015. ICICI Bank sold a 9% stake in ICICI Lombard General Insurance Company to Fairfax Financial Holdings during fiscal 2016. Following the transaction, the share ownership in ICICI Lombard General Insurance Company of ICICI Bank and Fairfax Financial Holdings Limited were approximately 64% and 35%, respectively. We also sold an approximately 6.0% stake in our life insurance subsidiary, ICICI Prudential Life Insurance Company, during fiscal 2016. After this sale, our share ownership in ICICI Prudential Life Insurance Company came down from approximately 74% to 68%.

ICICI Prudential Life Insurance Company had an overall market share of 11.3% based on retail weighted new business received premium in fiscal 2016, as compared with a market share of 9.7% for its nearest private sector competitor. It also had a market share of 21.9% in the private sector in fiscal 2016 compared to 23.0% in fiscal 2015 according to the Life Insurance Council. The total premium increased by 25.2% from Rs. 153.1 billion during fiscal 2015 to Rs. 191.6 billion in fiscal 2016. The retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. The retail new business premium increased from Rs. 49.3 billion in fiscal 2015 to Rs. 54.6 billion in fiscal 2016. ICICI Prudential Life Insurance Company made a net profit of Rs. 16.5 billion during year-end fiscal 2016 compared to a net profit of Rs. 16.3 billion during year-end fiscal 2015.

In fiscal 2010, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. As a result of these changes, the life insurance sector experienced low growth and changes in the product mix in recent years, as life insurance companies were required to modify their products and distribution strategies. While there was initially a shift in the product mix towards non-unit linked products, more recently the share of unit-linked products has increased primarily due to favorable cost structures of these products from a customer perspective, as well as improved capital market conditions. Linked products contributed to 83.3% of the retail weighted received premium of ICICI Prudential Life Insurance Company in fiscal 2016 compared to 84.8% in fiscal 2015 and 66.5% in fiscal 2014. See also “*Risk Factors – Risks Relating to Our Business – While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or levels of profitability*” and “*Operating and Financial Review and Prospects – Segment Revenues and Assets – Life Insurance*”. Further, the Insurance Regulatory and Development Authority of India has issued guidelines on bancassurance (i.e., the practice of banks selling insurance products in a marketing arrangement with insurance companies). As per the guidelines, banks can align with three insurance companies each in life, non-life and health insurance sectors.



ICICI Lombard General Insurance Company's gross written premiums (excluding its share of declined risk pool and inward reinsurance) increased by 21.2% from Rs. 66.8 billion during fiscal 2015 to Rs. 80.9 billion during fiscal 2016. ICICI Lombard General Insurance Company was the largest private general insurer with a market share of about 8.4% in gross written premiums amongst all general insurance companies during fiscal 2016 according to General Insurance Council of India. ICICI Lombard General Insurance Company made a net profit of Rs. 5.1 billion in fiscal 2016 compared to a net profit of Rs. 5.4 billion in fiscal 2015. The decrease in net profits was primarily due to a higher effective tax rate during fiscal 2016 following the absorption of tax benefit on losses carried forward from earlier years.

ICICI Bank earns commissions and fees from these subsidiaries as a distributor for sales of life and general insurance products.

## Funding

Our funding operations are designed to ensure stability of funding, minimize funding costs and effectively manage liquidity. Our primary source of domestic funding is deposits raised from both retail and corporate customers. We also raise funds through short-term rupee borrowings and domestic or overseas bond offerings. Our domestic bond borrowings include long-term bond borrowings for financing infrastructure projects and low-cost housing in accordance with the Reserve Bank of India guidelines.

ICICI, prior to the amalgamation, raised funds through foreign currency borrowings from commercial banks and other multilateral institutions like the Asian Development Bank and the World Bank, which were guaranteed by the government of India. The government of India has, in its letter dated May 31, 2007, instructed us to take steps to either repay or prepay such foreign currency borrowings for which a guarantee has been provided by the government of India or to substitute the guarantees provided by the government of India with other acceptable guarantees. At year-end fiscal 2016, the total outstanding loans/bonds of ICICI Bank that are guaranteed by the government of India were Rs. 5.1 billion, constituting approximately 0.3% of the total borrowings of the Bank at that date.

Our overseas branches are primarily funded by bond issuances, syndicated loans from banks, money market borrowings, inter-bank bilateral loans and borrowings from external commercial agencies. See also “*Risk Factors—Risks Relating to Our Business—Our funding is primarily short-term and if depositors do not roll over deposited funds upon maturity, our business could be adversely affected*”. Our subsidiaries in the United Kingdom and Canada fund themselves primarily through retail deposits. Our Canadian subsidiary also funds itself through securitization of insured mortgages.

Our deposits were 49.1% of our total liabilities at year-end fiscal 2016 compared to 46.7% of our total liabilities at year-end fiscal 2015. Our borrowings were 24.0% of our total liabilities at year-end fiscal 2016 compared to 25.6% of our total liabilities at year-end fiscal 2015. Our deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Our borrowings (including redeemable non-cumulative preference shares and subordinated debt) increased by 4.3% from Rs. 2,112.5 billion at year-end fiscal 2015 to Rs. 2,203.8 billion at year-end fiscal 2016 primarily due to an increase in foreign currency bond borrowings, refinance borrowings and foreign currency term money borrowing, offset, in part, by a decrease in borrowings from the Reserve Bank of India under its liquidity adjustment facility. The increase in borrowings was primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings by ICICI Bank UK and borrowings under insured mortgages securitized by ICICI Bank Canada. The increase in overseas borrowings as stated in Indian Rupee terms also reflects the depreciation of the Rupee vis-à-vis the U.S. dollar.

The following table sets forth, at the dates indicated, the composition of deposits by type of deposit.

At March 31,

Edgar Filing: ICICI BANK LTD - Form 20-F

	2014		2015		2016	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions, except percentages)					
Current account deposits	Rs.443,647	12.3 %	Rs.504,596	13.1 %	Rs.603,389	13.4 %
Savings deposits	1,078,310	30.0	1,221,062	31.6	1,444,551	32.0
Time deposits	2,073,170	57.7	2,133,894	55.3	2,462,834	54.6
Total deposits	Rs.3,595,127	100.0%	Rs.3,859,552	100.0%	Rs.4,510,774	100.0%

The following table sets forth, for the periods indicated, the average volume and average cost of deposits by type of deposit.

Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31, <sup>(1)</sup>		2015		2016		Amount	Cost <sup>(2)</sup>
	2014	Cost <sup>(2)</sup>	Amount	Cost <sup>(2)</sup>	Amount	Amount		
	(in millions, except percentages)							
Interest-bearing deposits:								
Savings deposits	Rs. 947,800	3.7 %	Rs. 1,058,154	3.8 %	Rs. 1,207,983	US\$ 18,234	3.8 %	
Time deposits	1,934,262	7.7	2,155,184	7.8	2,348,344	35,447	7.4	
Non-interest-bearing deposits:								
Other demand deposits	293,741	–	326,162	–	384,167	5,799	–	
Total deposits	Rs. 3,175,803	5.8 %	Rs. 3,539,500	5.9 %	Rs. 3,940,495	US\$ 59,480	5.6 %	

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

(2) Represents interest expense divided by the average balances.

Our average deposits increased from Rs. 3,539.5 billion at an average cost of 5.9% in fiscal 2015 to Rs. 3,940.5 billion at an average cost of 5.6% in fiscal 2016. Our average time deposits increased from Rs. 2,155.2 billion at an average cost of 7.8% in fiscal 2015 to Rs. 2,348.3 billion at an average cost of 7.4% in fiscal 2016. The cost of time deposits decreased in fiscal 2016 compared to fiscal 2015 primarily due to a reduction of term deposit rates by ICICI Bank on select maturities reflecting the softening of interest rates in India. Our savings deposits include retail savings deposits accepted by ICICI Bank UK. See also “*Operating and Financial Review and Prospects—Financial Condition—Deposits*”.

The following table sets forth, at the date indicated, the contractual maturity profile of deposits, by type of deposit.

	At March 31, 2016			
	Up to one year	After one year and within three years	After three years	Total
	(in millions)			
Interest-bearing deposits:				
Savings deposits	Rs. 1,444,551	Rs. –	Rs. –	Rs. 1,444,551
Time deposits	1,972,452	387,611	102,771	2,462,834
Non-interest-bearing deposits:				
Other demand deposits	603,389	–	–	603,389
Total deposits	Rs. 3,913,438	Rs. 387,611	Rs. 102,771	Rs. 4,510,774

(1) Savings and other demand deposits are payable on demand and hence are classified in the ‘Up to one year’ bucket.

Edgar Filing: ICICI BANK LTD - Form 20-F

The following table sets forth, for the periods indicated, average outstanding rupee borrowings and the percentage composition by category of borrowing. The average cost (interest expense divided by average balances) for each category of borrowings is provided in the footnotes.

	At March 31, <sup>(1)</sup>		2015		2016			
	2014							
	Amount	% of total	Amount	% of total	Amount	Amount	% of total	
	(in millions, except percentages)							
Money market borrowings <sup>(2),(3)</sup>	Rs.261,461	38.6 %	Rs.271,944	37.9 %	Rs.290,536	US\$4,385	35.6 %	
Other borrowings <sup>(4),(5)</sup>	416,756	61.4	446,031	62.1	525,375	7,930	64.4	
Total	Rs.678,217	100.0%	Rs.717,975	100.0%	Rs.815,911	US\$12,315	100.0%	

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

(2) Includes call market, refinance and transactions with the Reserve Bank of India under the liquidity adjustment facility.

(3) With an average cost of 8.6% in fiscal 2014, 8.7% in fiscal 2015 and 7.7% in fiscal 2016.

(4) Includes publicly and privately placed bonds, borrowings from institutions and inter-corporate deposits.

(5) With an average cost of 12.5% in fiscal 2014, 11.6% in fiscal 2015 and 11.1% in fiscal 2016.

The following table sets forth, at the date indicated, the maturity profile of our rupee time deposits of Rs. 10 million or more.

	At March 31,			% of total deposits
	2015	2016		
	(in millions, except percentages)			
Less than three months	Rs.324,863	Rs.330,880	US\$4,994	7.3 %
Above three months and less than six months	203,562	198,180	2,991	4.4
Above six months and less than 12 months	219,505	323,658	4,885	7.2
More than 12 months	29,009	37,886	572	0.8
Total deposits of Rs. 10 million and more	Rs.776,940	Rs.890,604	US\$13,442	19.7 %

The following table sets forth, at the dates indicated, certain information related to short-term rupee borrowings.

	At March 31, <sup>(1)</sup>					
	2014		2015		2016	
	(in millions, except percentages)					
Year-end balance	Rs.228,815		Rs.348,867		Rs.248,793	
Average balance during the year <sup>(2)</sup>	261,461		271,944		290,536	
Maximum quarter-end balance	301,622		348,867		249,200	
Average interest rate during the year <sup>(3)</sup>	8.6	%	8.7	%	7.7	%
Average interest rate at year-end <sup>(4)</sup>	9.3	%	8.7	%	7.7	%

<sup>(1)</sup> Short-term borrowings include borrowings in the call market, refinance, repurchase agreements and transactions with the Reserve Bank of India under the liquidity adjustment facility.

Until September 2014, the average balances are based on daily average balances outstanding, except for the <sup>(2)</sup> averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

<sup>(3)</sup> Represents the ratio of interest expense on short-term borrowings to the average balances of short-term borrowings.

<sup>(4)</sup> Represents the weighted average rate of the short-term borrowings outstanding at fiscal year-end.

Our short term rupee borrowings decreased from Rs. 348.9 billion at year-end fiscal 2015 to Rs. 248.8 billion at year-end fiscal 2016 primarily due to a decrease in borrowings from the Reserve Bank of India under the liquidity adjustment facility and refinance borrowings.

The following table sets forth, for the periods indicated, the average outstanding volume of foreign currency borrowings based on average balances by source and the percentage composition by source. The average cost (interest expense divided by average balances) for each source of borrowings is provided in the footnotes.

	For year ended March 31, <sup>(1)</sup>				2016			
	2014	2015	2015	2016	2016	2016	2016	2016
	Amount	% of total	Amount	% of total	Amount	Amount	% of total	
	(in millions, except percentages)							
Bond borrowings <sup>(2)</sup>	Rs. 442,757	38.8 %	Rs. 510,239	42.9 %	Rs. 548,838	US\$8,284	41.0 %	
Other borrowings <sup>(3)</sup>	699,657	61.2	678,076	57.1	789,163	11,912	59.0	
Total	Rs. 1,142,414	100.0%	Rs. 1,188,315	100.0%	Rs. 1,338,001	US\$20,196	100.0%	

Until September 2014, the average balances are based on daily average balances outstanding, except for the (1) averages of foreign branches of ICICI Bank which are calculated on fortnightly basis. From October 2014, averages of the foreign branches are averages of daily balances.

(2) With an average cost of 5.2% in fiscal 2014, 5.1% in fiscal 2015 and 4.8% in fiscal 2016.

(3) With an average cost of 2.2% in fiscal 2014, 2.0% in fiscal 2015 and 1.6% in fiscal 2016.

At year-end fiscal 2016, the outstanding debt capital instruments raised by us were Rs. 402.8 billion. The outstanding debt capital instruments include debt that is classified either as Additional Tier I or Tier II capital in calculating the capital adequacy ratio as per the grandfathering rules in accordance with the Reserve Bank of India's regulations on capital adequacy as per Basel III. See also "*Supervision and Regulation—Reserve Bank of India Regulations*".

## Risk Management

As a financial intermediary, we are exposed to risks that are particular to our lending, transaction banking and trading businesses and the environment within which we operate. Our goal in risk management is to ensure that we understand, measure, monitor and manage the various risks that arise and that the organization adheres to the policies and processes, which are established to address these risks.

The key principles underlying our risk management framework are as follows:

The Board of Directors has oversight of all the risks assumed by us.

Specific committees of the Board have been constituted to facilitate focused oversight of various risks. For a discussion of these and other committees, see "Management".

The Risk Committee reviews risk management policies in relation to various risks (including credit risk, market risk, liquidity risk, interest rate risk and operational risk), key risk indicators and risk profile (covering areas including credit risk, market risk, liquidity risk, operational risk, compliance risk, capital at risk, earning at risk and group risk). The Committee reviews the stress-testing framework that includes a wide range of institution-specific and market (systemic) scenarios. The Risk Committee also assesses our capital adequacy position, based on the risk profile of our balance sheet and reviews the implementation status of capital regulations.

The Credit Committee reviews the credit quality of the major portfolios, developments in key industrial sectors and exposure to these sectors and exposures to large borrower accounts in addition to approving certain exposures as per the credit approval authorization policy approved by the Board of Directors.

The Audit Committee provides direction to and monitors the quality of the compliance and internal audit function.

The Fraud Monitoring Committee reviews frauds above certain values, suggests corrective measures to mitigate fraud risks and monitors the efficacy of remedial actions.



The Information Technology Strategy Committee approves strategy for information technology and policy documents, ensures that information technology strategy is aligned with business strategy, reviews information technology risks, ensures proper balance of information technology investments for sustaining our growth, oversees the aggregate funding of information technology, ascertains if the management has resources to ensure the proper management of information technology risks and reviews contribution of information technology to our business.

Policies approved from time to time by the Board of Directors form the governing framework for each type of risk. The business activities are undertaken within this policy framework.

Independent groups and sub-groups have been constituted across our organization to facilitate independent evaluation, monitoring and reporting of various risks. These groups function independently of the business groups/sub-groups.

The risk management framework forms the basis for developing consistent risk principles across the Bank, and its overseas banking subsidiaries. The board of directors approves the Enterprise Risk Management and Risk Appetite Framework and limits structure under which various business lines operate.

We are primarily exposed to credit risk, market risk, liquidity risk, operational risk and reputation risk. We have centralized groups, the Risk Management Group, the Compliance Group, the Corporate Legal Group, the Financial Crime Prevention and Reputation Risk Management Group and the Internal Audit Group with a mandate to identify, assess and monitor all of our principal risks in accordance with well-defined policies and

procedures. In addition, the Credit Monitoring Group and Treasury Control and Service Group and the Operations Group monitor operational adherence to regulations, policies and internal approvals.

The Risk Management Group is further organized into the Credit Risk Management Group, Market Risk Management Group, Operational Risk Management Group and Information Technology Risk Management Group. The Risk Management Group, Credit Monitoring Group and Treasury Control and Service Group and Operations Group report to an Executive Director. The Compliance Group and the Internal Audit Group report to the Audit Committee of the Board of Directors and the Managing Director and Chief Executive Officer. The Compliance and Internal Audit Groups have administrative reporting to an Executive Director. These groups are independent of the business units and coordinate with representatives of the business units to implement our risk management methodologies.

### Credit Risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to us. In its lending operations, ICICI Bank is principally exposed to credit risk.

The credit risk is governed by the Credit and Recovery Policy (credit policy) approved by the Board of Directors. The Credit and Recovery Policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

ICICI Bank measures, monitors and manages credit risk at an individual borrower level and at the portfolio level for non-retail borrowers. The credit risk for retail borrowers is being managed at portfolio level. It has a structured and standardized credit approval process, which includes a well-established procedure of comprehensive credit appraisal. The Country Risk Management Policy addresses the recognition, measurement, monitoring and reporting of country risk.

The risk environment is currently volatile due to factors such as slowdown in the capital expenditure cycle in India, high leverage in some corporate groups, economic slowdown in various countries globally, low commodity prices and event risks. Considering these aspects, we have comprehensively reviewed our risk appetite and limit structure, with respect to credit risk, and specifically concentration risk.

We have taken the following key measures:

- lower single borrower exposure limit for borrowers internally rated in the BBB credit rating grades.

- lower borrower group exposure limits.

- rating based limits with respect to incremental asset origination in the corporate portfolio.

- establishment of a separate credit monitoring group to enhance focus on monitoring of borrowers and to facilitate proactive action wherever required.

- further strengthened monitoring of retail product portfolios through periodic reviews and vintage curve analysis

The credit committee of the Board reviews the portfolio and large exposure groups on a regular basis.

#### Credit Approval Authorities

The Board of Directors has delegated credit approval authority to various committees, forums and individual officers under the credit approval authorization policy. The credit approval authorization policy is based on the level of risk and the quantum of exposure, and is designed to ensure that transactions with higher exposure and higher levels of risk are sent to a correspondingly higher forum/committee for approval.

The Bank has established several levels of credit approval authorities for its corporate banking activities -the Credit Committee, the Committee of Executive Directors, the Committee of Senior Management, the Committee of Executives and Regional Committees. For certain exposures to small and medium enterprises and rural and agricultural loans under programs, separate forums have been established for approval. These forums sanction programs formulated through a cluster-based approach wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain norms. To be eligible for

funding under the programs, borrowers need to meet the stipulated credit norms and obtain a minimum score on a scoring model. We have incorporated control norms, borrower approval norms and review triggers in all such programs.

Retail credit facilities are required to comply with approved product policies. All products policies are approved by the Committee of Executive Directors. The individual credit proposals are evaluated and approved by individual officers/forums on the basis of the product policies.

#### Credit Risk Assessment Methodology for Standalone Entities

All credit proposals other than retail products, program lending, score card-based lending to small and medium enterprises and agri-businesses and certain other specified products are rated internally by the Credit Risk Management Group, prior to approval by the appropriate forum.

The Credit Risk Management Group rates proposals, carries out industry analysis, tracks the quality of the credit portfolio and reports periodically to the Credit Committee and the Risk Committee. For non-retail exposures, the Credit Monitoring Group verifies adherence to the terms of the approval prior to the commitment and disbursement of credit facilities. We also manage credit risk through various limit structures, which are in line with the Reserve Bank of India's prudential guidelines. The Bank has set up various exposure limits, including the single borrower exposure limit, the group borrower exposure limit, the industry exposure limit, the unsecured exposure limit, the long tenor exposure limit and limits on exposure to sensitive sectors such as capital markets, non-banking finance companies and real estate. Rating based thresholds for exposures to borrowers and limit on incremental sanctions have also been put in place. Limits on countries and bank counterparties have also been stipulated.

ICICI Bank has an established credit analysis procedure leading to appropriate identification of credit risk both at the individual borrower and the portfolio level. Appropriate appraisal and credit rating methodologies have been established for various types of products and businesses. The methodology involves assessment of quantitative and qualitative parameters. For example, for any large corporate, the rating methodology entails a comprehensive evaluation of the industry, borrower's business position in the industry (benchmarking), financial position and projections, quality of management, impact of projects being undertaken by the borrower and structure of the transaction.

Borrower risk is evaluated by considering:

- the risks and prospects associated with the industry in which the borrower is operating (industry risk);

the financial position of the borrower by analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy (financial risk);

the borrower's relative market position and operating efficiency (business risk);

the quality of management by analyzing their track record, payment record and financial conservatism (management risk); and-

the risks with respect to specific projects, both pre-implementation, such as construction risk and funding risk, as well as post-implementation risks such as industry, business, financial and management risks related to the project (project risk).

After conducting an analysis of a specific borrower's risk, the Credit Risk Management Group assigns a credit rating to the borrower. We have a scale of 12 ratings ranging from AAA to B. A borrower's credit rating is a vital input for the credit approval process. The borrower's credit rating and the default pattern corresponding to that credit rating, forms an important input in the risk-based pricing framework of the Bank. Every proposal for a financing facility is prepared by the relevant business unit and reviewed by the Credit Risk Management Group before being submitted for approval to the appropriate approval authority. The approval process for non-fund facilities is similar to that for fund-based facilities. The credit rating for every borrower is reviewed periodically. We also review the ratings of all our borrowers in a particular industry upon the occurrence of any significant event impacting that industry.

On our current rating scale, ratings of below BBB- (i.e., BB and B ratings) are considered to be relatively high-risk categories. Our current credit policy does not expressly provide a minimum rating required for a

borrower to be considered for a loan. All corporate loan proposals with an internal rating of below BBB- are sent to our Credit Committee for its approval, which is constituted by a majority of non-executive directors.

The following table sets forth a description of our internal rating grades linked to the likelihood of loss:

<b>Grade</b>	<b>Definition</b>
(I) Investment grade	Entities/obligations are judged to offer moderate to high protection with regard to timely payment of financial obligations.
AAA, AA+, AA, AA-	Entities/obligations are judged to offer high protection with regard to timely payment of financial obligations.
A+, A, A-	Entities/obligations are judged to offer an adequate degree of protection with regard to timely payment of financial obligations.
BBB+, BBB and BBB-	Entities/obligations are judged to offer moderate protection with regard to timely payment of financial obligations.
(II) Below investment grade (BB and B)	Entities/obligations are judged to carry inadequate protection with regard to timely payment of financial obligations.

At year-end fiscal 2016, our net non-investment grade loans constituted about 18.6% of our total net loans. Fiscal 2016 witnessed a slowdown in global economic growth mainly on account of lower growth in China and emerging market economies, divergence in global monetary policy and significant decline in commodity prices including crude oil and metals. The weak global economic environment, the sharp downturn in the commodity cycle, continued challenges in the corporate sector due to the gradual nature of domestic economic recovery as against the expectation of the significant improvement in the corporate investment and performance has adversely impacted the borrowers in certain sectors such as iron & steel, mining, power, cement and rigs, resulting in credit rating downgrades in these sectors and promoter entities where the underlying is partly linked to these sectors. See also “*Consolidated Financial Statements—Schedules to the consolidated financial statements—Schedule 18B-Loans-Credit quality indicators of loans*”.

Working capital loans are generally approved for a period of 12 months. At the end of the 12-month validity period, we review the loan arrangement and the credit rating of the borrower. On completion of this review, a decision is made on whether to renew the working capital loan arrangement.

The following sections detail the risk assessment process for various business segments:

Assessment of Project Finance Exposures

ICICI Bank has a framework for the appraisal and execution of project finance transactions. We believe that this framework creates optimal risk identification, allocation and mitigation and helps minimize residual risk.

The project finance approval process begins with a detailed evaluation of technical, commercial, financial, marketing and management factors and the sponsor's financial strength and experience. Once this review is completed, an appraisal memorandum is prepared for credit approval purposes. As part of the appraisal process, a risk matrix is generated, which identifies each of the project risks, mitigating factors and residual risks associated with the project. The appraisal memorandum analyzes the risk matrix and establishes the viability of the project. After credit approval, a letter of intent is issued to the borrower, which outlines the principal financial terms of the proposed facility, sponsor obligations, conditions precedent to disbursement, undertakings from and covenants on the borrower. After completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

In addition to the above, in the case of structured project finance in areas such as infrastructure, oil, gas and petrochemicals, as a part of the due diligence process, we appoint consultants, wherever considered necessary, to advise the lenders, including technical advisors, business analysts, legal counsel and insurance consultants. These consultants are typically internationally recognized and experienced in their respective fields. Risk mitigating factors in these financings include creation of debt service reserves and channeling project revenues through a trust and retention account.

ICICI Bank's project finance loans are generally fully secured and have full recourse to the borrower. In most cases, ICICI Bank has a security interest and first lien on all the fixed assets. Security interests typically include property, plant and equipment as well as other tangible assets of the borrower, both present and future. ICICI Bank's borrowers are required to maintain comprehensive insurance on their assets where ICICI Bank is recognized as payee in the event of loss. In some cases, ICICI Bank also takes additional credit comforts such as corporate or personal guarantees from one or more sponsors of the project or a pledge of the sponsors' equity holding in the project company. In certain industry segments, ICICI Bank also takes security interest in relevant project contracts such as concession agreements, off-take agreements and construction contracts as part of the security package.

ICICI Bank generally disburses funds after the entire project funding is committed and vital contractual arrangements have been entered into. Funds are disbursed in tranches to pay for approved project costs as the project progresses. When we appoint technical and market consultants, they are required to monitor the project's progress and certify all disbursements. We also require the borrower to submit periodic reports on project implementation, including orders for machinery and equipment as well as expenses incurred. Project completion is contingent upon satisfactory operation of the project for a certain minimum period and, in certain cases, the establishment of debt service reserves. We continue to monitor the credit exposure until our loans are fully repaid.

#### Assessment of Corporate Finance Exposures

As part of the corporate loan approval procedures, ICICI Bank carries out a detailed analysis of funding requirements, including normal capital expenses, long-term working capital requirements and temporary imbalances in liquidity. ICICI Bank's funding of long-term core working capital requirements is assessed on the basis, among other things, of the borrower's present and proposed level of inventory and receivables. In case of corporate loans for other funding requirements, we undertake a detailed review of those requirements and an analysis of cash flows. A substantial portion of ICICI Bank's corporate finance loans are secured by a lien over appropriate assets of the borrower. Corporate finance loans are generally secured by a first charge on fixed assets, which normally consists of property, plant and equipment. We may also take as security a pledge of financial assets, such as marketable securities, and obtain corporate guarantees and personal guarantees wherever appropriate. In certain cases, the terms of financing include covenants relating to sponsors' shareholding in the borrower and restrictions on the sponsors' ability to sell all or part of their shareholding.

The focus of ICICI Bank's structured corporate finance products is on cash flow-based financing. We have a set of distinct approval procedures to evaluate and mitigate the risks associated with such products. These procedures include:

- carrying out a detailed analysis of cash flows to forecast the amounts that will be paid and the timing of the payments based on an exhaustive analysis of historical data;



conducting due diligence on the underlying business systems, including a detailed evaluation of the servicing and collection procedures and the underlying contractual arrangements; and

- paying particular attention to the legal, accounting and tax issues that may impact the structure.

Our analysis enables us to identify risks in these transactions. To mitigate risks, we use various credit enhancement techniques, such as collateralization, cash collateralization, creation of escrow accounts and debt service reserves. We also have a monitoring framework to enable continuous review of the performance of such transactions.

With respect to financing for corporate mergers and acquisitions, we carry out detailed due diligence on the acquirer as well as the target's business profile. The key areas covered in the appraisal process include:

· assessment of the industry structure in the target's host country and the complexity of the business operations of the target;

- financial, legal, tax, technical due diligence (as applicable) of the target;

- appraisal of potential synergies and likelihood of their being achieved;

- assessment of the target company's valuation by comparison with its peer group and other transactions in the industry;

- analysis of regulatory and legal framework of the overseas geographies with regard to security creation, enforcement and other aspects;

- assessment of country risk aspects and the need for political insurance; and

- the proposed management structure of the target post-takeover and the ability and past experience of the acquirer in completing post-merger integration.

#### Assessment of Working Capital Finance Exposures

We carry out a detailed analysis of borrowers' working capital requirements. Credit limits are established in accordance with the credit approval authorization approved by the Bank's Board of Directors. Once credit limits are approved, we calculate the amounts that can be lent on the basis of monthly statements provided by the borrower and the margins stipulated. Quarterly information statements are also obtained from borrowers to monitor the performance on a regular basis. Monthly cash flow statements are obtained where considered necessary. Any irregularity in the conduct of the account is reported to the appropriate authority on a regular basis. Credit limits are reviewed on a periodic basis.

Working capital facilities are primarily secured by inventories, receivables and other current assets. Additionally, in certain cases, these credit facilities are secured by personal guarantees of directors, or subordinated security interests in the tangible assets of the borrower including plant and machinery and covered by personal guarantees of the promoters.

#### Assessment of Retail Loans

The sourcing and approval of retail credit exposures are segregated to achieve independence. The Credit Risk Management Group, Credit and Policy Group and credit teams are assigned complementary roles to facilitate effective credit risk management for retail loans.

The Credit and Policy Group is responsible for preparing credit policies/operating policies. The Credit Risk Management Group oversees the credit risk issues for retail assets including the review of all credit policies and operating policies proposed for approval by the Board or forums authorized by the Board. The Credit Risk Management Group is involved in portfolio monitoring of all retail assets and in suggesting and implementing policy changes. Independent units within retail banking, focus on customer-segment specific strategies, policy formulation,

portfolio tracking and monitoring, analytics, score card development and database management. The credit team, which is independent from the business unit, oversees the underwriting function and is organized geographically to support the retail sales and service structure.

Our customers for retail loans are primarily middle and high-income, salaried and self-employed individuals. Except for personal loans and credit cards, ICICI Bank requires a contribution from the borrower and its loans are secured by the asset financed.

The Bank's credit officers evaluate credit proposals on the basis of operating policies approved by the Committee of Executive Directors. The criteria vary across product segments but typically include factors such as the borrower's income, the loan-to-value ratio and demographic parameters. External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes in the case of loans made to retail borrowers. In making its credit decisions, ICICI Bank draws upon a centralized database on delinquent loans and reports from the credit bureau to review the borrower's profile. For mortgage loans and used vehicle loans, a valuation agency or an in-house technical team carries out the technical valuations. In the case of credit cards, in order to limit the scope of individual discretion, ICICI Bank has implemented a credit-scoring program that assigns a credit score to each applicant based on certain demographic and credit bureau variables. The credit score then forms one of the criteria for loan evaluation. For loans against gold ornaments and gold coins, emphasis is given on ownership and authenticity (purity and weight) of the jewelry for which an external appraiser is appointed by the Bank. Norms with respect to the loan-to-value ratio have been laid down.

ICICI Bank has lending programs for business banking customers, based on various financial and non-financial parameters and target market norms. The program criteria are approved by the Committee of Executive Directors and individual credit proposals are assessed by the credit team based on these approved criteria. The

Committee of Executive Directors of ICICI Bank reviews the portfolio on a periodic basis. The renewal of programs is approved by the Committee of Executive Directors.

We have established centralized operations to manage operating risk in the various back-office processes of our retail loan business except for a few operations, which are decentralized to improve turnaround time for customers. A separate team under the Credit and Policy Group undertakes review and audits of credit quality and processes across different products. The Bank also has a debt services management group structured along various product lines and geographical locations, to manage debt recovery. The group operates under the guidelines of a standardized recovery process. A Financial Crime Prevention Group has been established as a dedicated and independent group, handling the fraud prevention, detection, investigation, monitoring, reporting and awareness creation functions.

#### Assessment Procedures for Small Enterprises Loans

ICICI Bank finances small enterprises, which include individual cases and financing dealers and vendors of companies by implementing structures to enhance the base credit quality of the vendor/dealer. Small enterprise credit also includes financing extended directly to small enterprises as well as financing extended on a cluster-based approach in which credit is extended to small enterprises that have a homogeneous profile, such as apparel manufacturers and manufacturers of pharmaceuticals. The risk assessment of such a cluster involves the identification of appropriate credit norms for target market, the use of scoring models for enterprises that satisfy these norms and a comprehensive appraisal of those enterprises which are awarded a minimum required score in the scoring model. A detailed appraisal is performed based on the financial as well as non-financial parameters to identify the funding needs of the enterprise in all the cases. There are appropriate credit structures built in based on the assessment of each case. The group also finances small businesses based on analysis of the business and financials. The assessment includes a scoring model with a minimum score requirement before appraisal of these enterprises is conducted.

ICICI Bank also finances small and medium enterprises, dealers and vendors linked to these entities by implementing structures to enhance the base credit quality of the vendor or dealer. The process involves an analysis of the base credit quality of the vendor or dealer pool and an analysis of the linkages that exist between the vendor or dealer and the company.

The risk management policy also includes setting up of portfolio control norms, continuous monitoring renewal norms as well as stringent review and exit triggers to be followed while financing such clusters or communities.

#### Assessment Procedures for Rural and Agricultural Loans

The rural and agricultural portfolio consists of loans to retail customers in the rural sector through programs and direct loans to corporations, small & medium enterprises and intermediaries linked to these entities. The programs offered include lending to farmers for crop cultivation and other allied agricultural activities (in the form of Kisan credit cards and agricultural term loans), farm equipment financing (for purchase of equipment such as tractors and harvesters), lending to self-help groups, loans against gold ornaments and gold coins, commodity based funding and rural business enterprise credit. We have adopted specific risk assessment methodologies for each of these segments.

The sales and approval functions are segregated to achieve independence in retail loan assessment procedures. The Credit and Policy Group is responsible for preparing credit policies/operating policies. The Credit Risk Management Group oversees the credit risk issues for retail agricultural assets including the review of all credit policies and operating policies proposed for approval by the Board of Directors or forums authorized by the Board. The Credit Risk Management Group monitors portfolio trends and suggests and implements policy changes. The credit team, which is independent from the business unit, oversees the underwriting function and is organized geographically in line with the rural sales and service structure.

We use a cluster-based approach for certain segments, wherein a lending program is implemented for a homogeneous group of individuals or business entities that comply with certain laid down parameterized norms. To be eligible for funding under these programs, the borrowers need to meet the stipulated credit norms and obtain a minimum score on the scoring model wherever applicable. We have incorporated control norms, borrower approval norms and review triggers in all the programs.

For corporations, borrower risk is evaluated by analyzing the industry risk, the borrower's market position, financial performance, cash flow adequacy and the quality of management. The credit risk of intermediaries

(including vendors, dealers, harvester & transporter, seed organizers, micro finance institutions) and retail customers is evaluated by analyzing the base credit quality of such borrowers or the pool of borrowers and also the linkages between the borrowers and the companies to which they are supplying their produce.

For loans against gold ornaments and gold coins, the credit norms focus on establishing ownership and authenticity (purity and weight) of the jewelry for which an external appraiser is appointed by us. Norms with respect to loan-to-value ratio have been laid down.

Commodity based financing caters to the needs of farmers, aggregators & processors, where the facility is based on collateral of the commodity pledged in favor of the Bank and stored in designated warehouses. The credit norms focus on the quality, quantity and price volatility of the underlying commodity. A dedicated group evaluates the quantity and quality of the commodity at the time of funding, directly or through the agencies appointed by it, and also undertakes periodic checks post funding. ICICI Bank also has a centralized system for daily monitoring of the prices of the commodities funded by it and raising a margin call in case of a shortfall in margins due to decline in the prices. Various norms like initial margins and the price caps for various commodities have been set to reduce the risk arising out of price volatility of the underlying commodities.

See also *“Risk Factors—Risks Relating to Our Business— Entry into new businesses or rapid growth in existing loan portfolios may expose us to increased risks that may adversely affect our business”*.

#### Risk Monitoring and Portfolio Review

We ensure effective monitoring of credit facilities through a risk-based asset review framework under which the frequency of asset review is higher for cases with higher outstanding balances and/or lower credit ratings. For corporate, small enterprises and agri-business related borrowers, the Credit Monitoring Group verifies adherence to the terms of the credit approval prior to the commitment and disbursement of credit facilities. These borrower accounts are generally reviewed at least once a year.

The Credit Monitoring Group/Operation Groups monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policies for assets financed.

An analysis of our portfolio composition based on our internal rating is carried out and is submitted to the Risk Committee of the Board on a quarterly basis as part of the risk dashboard. This facilitates the identification and analysis of trends in the portfolio credit risk.

The Credit Committee of the Bank, apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub-portfolios. A summary of the reviews carried out by the Credit Committee is submitted to the Board for its information.

#### Quantitative and Qualitative Disclosures About Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. Our exposure to market risk is a function of our trading and asset-liability management activities and our role as a financial intermediary in customer-related transactions. These risks are mitigated by the limits stipulated in the Investment Policy, Asset Liability Management Policy and Derivatives Policy, which are approved and reviewed by the Board of Directors.

#### Market Risk Management Procedures

Market risk policies include the Investment Policy, the Asset Liability Management Policy and the Derivative Policy. The policies are approved by the Board of Directors. The Asset Liability Management Policy stipulates liquidity and interest rate risk limits and Asset Liability Management Committee monitors adherence to limits and determines the strategy in light of the current and expected environment. The Investment Policy addresses issues related to investments in various treasury products. The policies are designed to ensure that operations in the securities and foreign exchange and derivatives areas are conducted in accordance with sound and acceptable business practices and are as per current regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structures that govern transactions in financial instruments. The Board has authorized the Asset Liability Management Committee and Committee of Executive Directors (Borrowing, Treasury and Investment Operations) to grant certain approvals related to treasury activities, within the broad parameters laid down by policies approved by the Board.

The Asset Liability Management Committee, comprising managing director, wholetime directors and senior executives, meets periodically and reviews the positions of trading groups, interest rate and liquidity gap positions on the banking book, sets deposit and benchmark lending rates, reviews the business profile and its impact on asset liability management and determines the asset liability management strategy, as deemed fit, taking into consideration the current and expected business environment. The Asset Liability Management Policy provides guidelines to manage liquidity risk and interest rate risk in the banking book.

The Market Risk Management Group is responsible for the identification, assessment and measurement of market risk. Risk limits including position limits and stop loss limits are reported on a daily basis by the Treasury Control and Services Group and reviewed periodically. Foreign exchange risk is monitored through the net overnight open foreign exchange limit. Interest rate risk is measured through the use of re-pricing gap analysis and duration analysis. Interest rate risk is further monitored through interest rate risk limits approved by the Board of Directors.

### Interest Rate Risk

Our core business is deposit taking, borrowing and lending in both Indian rupees and foreign currencies as permitted by the Reserve Bank of India. These activities expose us to interest rate risk.

Our balance sheet consists of Indian rupee and foreign currency assets and liabilities, with a predominantly higher proportion of rupee-denominated assets and liabilities. Thus, movements in Indian interest rates are our main source of interest rate risk.

Interest rate risk is measured through earnings at risk from an earnings perspective and through duration of equity from an economic value perspective. Further, exposure to fluctuations in interest rates is also measured by way of gap analysis, providing a static view of the maturity and re-pricing characteristics of balance sheet positions. An interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to contracted/behavioral maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities. We monitor interest rate risk through the above measures on a bi-monthly basis. The duration of equity and interest rate sensitivity gap statements are submitted to the Reserve Bank of India on a monthly basis. These interest rate risk limits are approved by the Board of Directors. We also monitor Greeks of our interest rate options.

ICICI Bank's primary source of funding is deposits and, to a smaller extent, borrowings. In the rupee market, most of our deposit taking is at fixed rates of interest for fixed periods, except for savings account deposits and current account deposits, which do not have any specified maturity and can be withdrawn on demand. Current account deposits in the domestic operations are non-interest bearing. The Reserve Bank of India has deregulated interest rates



on saving account deposits from October 25, 2011. The rate of interest on savings account deposits currently offered by ICICI Bank is 4%. We usually borrow for a fixed period with a one-time repayment on maturity, with some borrowings having European call/put options, exercisable only on specified dates, attached to them. However, we have a mix of floating and fixed interest rate assets. Our loans are generally repaid gradually, with principal repayments being made over the life of the loan. Our housing loans at year-end fiscal 2016 were primarily floating rate loans where any change in the benchmark rate with reference to which these loans are priced, is generally passed on to the borrower on the first day of the succeeding quarter or succeeding month, as applicable.

As required by the Reserve Bank of India guidelines effective July 1, 2010, ICICI Bank priced its loans with reference to a base rate, called the ICICI Bank Base Rate till March 31, 2016. The Asset Liability Management Committee set the ICICI Bank Base Rate based on ICICI Bank's current cost of funds, likely changes in the Bank's cost of funds, market rates, interest rate outlook and other systemic factors. Pricing for new rupee floating rate proposals and renewal of rupee facilities till March 31, 2016 were linked to the ICICI Bank Base Rate and comprise the ICICI Bank Base Rate, transaction-specific spread and other charges. The Reserve Bank of India also stipulated that a bank's lending rates for rupee loans cannot be lower than its base rate, except for certain categories of loans as may be specified by the Reserve Bank of India from time to time.

Based on the revised guidelines of the Reserve Bank of India, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 will be priced with reference to a new internal benchmark to be called Marginal Cost of funds based Lending rate. Banks are required to publish Marginal Cost of funds based Lending rate for various tenures such as overnight, one month, three months, six months and one year. Marginal Cost of funds based Lending rate includes marginal cost of funds, negative carry on cash reserve ratio, and operations cost and tenure premium/discount for various tenures. The Asset Liability Management Committee sets the ICICI Bank Marginal Cost of funds based Lending rate. As required by the Reserve Bank of India guidelines, we publish the ICICI Bank Marginal Cost of funds based Lending rate for various tenures on a monthly basis. Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank Marginal Cost of

funds based Lending rate and comprise the ICICI Bank Marginal Cost of funds based Lending rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than its Marginal Cost of funds based Lending rate, except for certain exemptions. As prescribed in the Reserve Bank of India guidelines, existing borrowers will also have the option to move to the Marginal Cost of funds based Lending rate linked loan at mutually acceptable terms. Any change in the Marginal cost of funds based lending rate is generally passed on to borrowers under various facilities at different periodicity, of up to one year. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the Marginal Cost of funds based Lending rate system, would continue to be based on the earlier benchmark rate regimes.

We generally seek to eliminate interest rate risk on undisbursed commitments by fixing interest rates on rupee loans at the time of loan disbursement. Pursuant to regulatory reserve requirements, we maintain a large part of our assets in government of India securities and in interest-free balances with the Reserve Bank of India, which are funded mainly by wholesale deposits and borrowings. This exposes us to the risk of differential movement in the yield earned on statutory reserves and the related funding cost.

We use the duration of our government securities portfolio as a key variable for interest rate risk management. We increase or decrease the duration of our government securities portfolio to increase or decrease our interest rate risk exposure. In addition, we also use interest rate derivatives to manage asset and liability positions. We are an active participant in the interest rate swap market and are one of the largest counterparties in India.

Almost all foreign currency loans in the overseas branches of the Bank are floating rate loans. These loans are generally funded with foreign currency borrowings and deposits in our overseas branches. We generally convert all foreign currency borrowings into floating rate dollar liabilities through the use of interest rate and currency swaps with leading international banks. Our overseas subsidiaries in the UK and Canada have fixed rate retail term deposits and fixed/floating rate wholesale borrowings as their funding sources. They also have fixed and floating rate assets. Interest rate risk is generally managed by entering into swaps whenever required.

For a discussion of our vulnerability to interest rate risk, see *“Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance”* and *“Risk Factors—Risks Relating to Our Business—Our inability to effectively manage credit, market and liquidity risk and inaccuracy of our valuation models and accounting estimates may have an adverse effect on our earnings, capitalization, credit ratings and cost of funds”*.

The following table sets forth, at the date indicated, our asset-liability gap position.

**At March 31, 2016<sup>(1)</sup>**

**Total**

	<b>Less than or equal to one year</b>	<b>Greater than one year and up to five years</b>	<b>Greater than five years</b>	
	<b>(in millions)</b>			
Loans, net	Rs. 4,170,302	Rs. 683,708	Rs. 83,281	Rs. 4,937,291
Investments	482,289	559,098	1,819,054	2,860,441
Other assets <sup>(2)</sup>	403,311	128,751	773,048	1,305,110
Total assets	5,055,902	1,371,557	2,675,383	9,102,842
Stockholders' equity and preference share capital	–	–	941,107	941,107
Borrowings	1,189,828	817,429	196,520	2,203,777
Deposits	2,283,639	1,989,173	237,962	4,510,774
Other liabilities	–	–	1,531,904	1,531,904
Total liabilities	3,473,467	2,806,602	2,907,493	9,187,562
Total gap before risk management positions	1,582,435	(1,435,045)	(232,110 )	(84,720 )
Off-balance sheet positions <sup>(3)</sup>	(375,047 )	309,422	60,819	(4,806 )
Total gap after risk management positions	Rs. 1,207,388	Rs. (1,125,623)	Rs. (171,291 )	Rs. (89,526 )

Assets and liabilities are classified into the applicable categories based on residual maturity or re-pricing whichever is earlier. Classification methodologies are generally based on Asset Liability Management Guidelines, including behavioral studies, as per local policy/regulatory norms of the entities. Items other than current and savings account (1) deposits that neither re-price nor have a defined maturity are included in the 'greater than five years' category. This includes investments in the nature of equity, cash and cash equivalents and miscellaneous assets and liabilities. Fixed assets (other than leased assets) have been excluded from the above table. Current and savings account deposits are classified based on behavior study.

(2) The categorization for these items is different from that reported in the financial statements.

(3) Off-balance sheet positions comprise notional amount of derivatives, including foreign exchange forward contracts.

The following table sets forth, at the date indicated, the amount of our loans with residual maturities greater than one year that had fixed and variable interest rates.

	At March 31, 2016		
	Fixed	Variable	Total
	rate loans	rate loans	
	(in millions)		
Loans	Rs. 786,024	Rs. 2,775,356	Rs. 3,561,380

The following table sets forth, using the balance sheet at year-end fiscal 2016 as the base, one possible prediction of the impact of adverse changes in interest rates on net interest income for fiscal 2017, assuming a parallel shift in the yield curve at year-end fiscal 2016.

	At March 31, 2016			
	Change in interest rates (in basis points)			
	(100)	(50)	50	100
	(in millions)			
Rupee portfolio	Rs. (8,612)	Rs. (4,306)	Rs. 4,306	Rs. 8,612
Foreign currency portfolio	(1,305)	(653)	653	1,305
Total	Rs. (9,917)	Rs. (4,959)	Rs. 4,959	Rs. 9,917

Based on our asset and liability position at year-end fiscal 2016, the sensitivity model shows that net interest income from the banking book for fiscal 2017 would rise by Rs. 9.9 billion if interest rates increased by 100 basis points. Conversely, the sensitivity model shows that if interest rates decreased by 100 basis points, net interest income for fiscal 2017 would fall by an equivalent amount of Rs. 9.9 billion. Based on our asset and liability position at year-end fiscal 2015, the sensitivity model showed that net interest income from the banking book for fiscal 2016 would rise by Rs. 8.4 billion if interest rates increased by 100 basis points. Conversely, the sensitivity model showed that if interest rates decreased by 100 basis points, net interest income for fiscal 2016 would fall by an equivalent amount of Rs. 8.4 billion.

Sensitivity analysis, which is based upon static interest rate risk profile of assets and liabilities, is used for risk management purposes only and the model above assumes that during the course of the year no other changes are made in the respective portfolios. Actual changes in net interest income will vary from the model.

#### Price Risk (Trading Book)

The following table sets forth, using the fixed income portfolio at year-end fiscal 2016 as the base, one possible prediction of the impact of changes in interest rates on the value of our fixed income held for trading portfolio,

assuming a parallel shift in interest rate curve.

	At March 31, 2016				
	Change in interest rates (in basis points)				
Portfolio Size	(100)	(50)	50	100	
	(in millions)				
Indian government securities	Rs. 149,082	Rs. 5,867	Rs. 2,958	Rs. (2,958)	Rs. (5,867)
Corporate debt securities	143,476	1,534	776	(776)	(1,534)
Total	Rs. 292,558	Rs. 7,401	Rs. 3,734	Rs. (3,734)	Rs. (7,401)

**At March 31, 2016****Change in interest rates (in basis points)**

<b>Portfolio Size</b>	<b>(100)</b>	<b>(50)</b>	<b>50</b>	<b>100</b>
-----------------------	--------------	-------------	-----------	------------

**(in millions)**

Foreign government securities	Rs. 15,863	Rs. 77	Rs. 38	Rs. (38)	Rs. (77)
-------------------------------	------------	--------	--------	----------	----------

At year-end fiscal 2016, the total value of our fixed income trading portfolio, including foreign government securities was Rs. 308.4 billion. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 7.5 billion. Conversely, if interest rates fall by 100 basis points, the value of this portfolio would rise by Rs. 7.5 billion. At year-end fiscal 2015, the total value of our fixed income trading portfolio was Rs. 277.1 billion. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would fall by Rs. 7.4 billion. Conversely, if interest rates fell by 100 basis points the value of this portfolio would rise by Rs. 7.4 billion.

The total outstanding notional principal amount of our trading interest rate derivatives portfolio increased from Rs. 3,971.7 billion at year-end fiscal 2015 to Rs. 4,279.4 billion at year-end fiscal 2016. The sensitivity model shows that if interest rates increase by 100 basis points, the value of this portfolio would fall by Rs. 0.5 billion. The total outstanding notional principal amount of our trading currency derivatives (such as futures, options and cross currency interest rate swaps) decreased from Rs. 1,020.3 billion at year-end fiscal 2015 to Rs. 939.4 billion at year-end fiscal 2016. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 1.6 billion. The total outstanding notional principal amount of our trading foreign exchange portfolio increased from Rs. 2,529.6 billion at year-end fiscal 2015 to Rs. 3,220.9 billion at year-end fiscal 2016. The sensitivity model showed that if interest rates increased by 100 basis points, the value of this portfolio would rise by Rs. 17 million.

*Equity Risk*

We assume equity risk both as part of our investment book and our trading book. At year-end fiscal 2016, we had a total equity investment portfolio of Rs. 75.2 billion, primarily comprising Rs. 16.6 billion of investments by ICICI Bank and Rs. 57.1 billion of investments by our insurance subsidiaries. Additionally, ICICI Securities and ICICI Securities Primary Dealership also have a small portfolio of equity derivatives. The equity investments of ICICI Bank include the equity portfolio of its proprietary trading group amounting to Rs. 0.2 billion and other equity investments amounting to Rs. 16.4 billion. These other equity investments are primarily unlisted and long-term in nature. We also invest in private equity and venture capital funds, primarily those managed by our subsidiary ICICI Venture Funds Management Company. These funds invest in equity and equity linked instruments. Our investments through these funds are similar in nature to our other equity investments and are subject to the same risks. In addition, they are also subject to risks in the form of changes in regulation and taxation policies applicable to such equity funds. For further information on our trading and available-for-sale investments, see “—Overview of Our Products and Services—Investment Banking—Treasury”.

The risk in the equity portfolio of the proprietary trading group, which manages the equity trading book of ICICI Bank, is controlled through a value-at-risk approach and stop loss limits, as stipulated in the Investment Policy. Value-at-risk measures the statistical risk of loss from a trading position, given a specified confidence level and a defined time horizon.

ICICI Bank computes value-at-risk using historical simulation model for limit monitoring purposes. The value-at-risk is calculated using the previous one-year market data at a 99% confidence level and a holding period of one day.

The following table sets forth the high, low, average and period-end value-at-risk for fiscal 2016.

	High	Low	Average	At March 31, 2016
	Rs. in million			
Value-at-risk	204.9	15.8	49.9	17.7
72				

We monitor the effectiveness of the value-at-risk model by regularly back-testing its performance. Statistically, we would expect to see losses in excess of value-at-risk only 1% of the time over a one-year period. During fiscal 2016, hypothetical losses exceed the value-at-risk estimates for four days. An analysis of these four outliers revealed that these losses occurred on days when actual movement in the stocks for the day was more than the scenario used to compute value-at-risk for the day.

The following table sets forth a comparison of the hypothetical daily profit/loss, computed on the assumption of no intra-day trading, and value-at-risk calculated using the historical simulation model during fiscal 2016.

	Average	On March 31, 2016
	Rs. in million	
Hypothetical daily profit/(loss)	(2.5 )	9.1
Value-at-risk	49.9	17.7

The high and low hypothetical daily profit/(loss) during fiscal 2016 was Rs. 174.4 million and Rs. (261.7) million respectively.

While value-at-risk is an important tool for measuring market risk under normal market conditions, it has inherent limitations that should be taken into account, including its inability to accurately predict future losses when extreme events are affecting the markets, because it is based on the assumption that historical market data is indicative of future market performance. Moreover, different value-at-risk calculation methods use different assumptions and hence may produce different results, and computing value-at-risk at the close of the business day would exclude intra-day risk. There is also a general possibility that the value-at-risk model may not fully capture all the risks present in the portfolio.

#### Exchange Rate Risk

We offer instruments like swaps, forwards, and currency options to clients, which are primarily banks and corporate customers. We use cross currency swaps, forwards, and options to hedge against risks arising out of these transactions and for foreign currency loans that are originated in currencies different from the currencies of borrowings supporting them. Some of these transactions may not meet the hedge accounting requirements and are subject to mark-to-market. Trading activities in the foreign currency markets expose us to exchange rate risks. This risk is mitigated by setting counterparty limits, stipulating daily, quarterly cumulative stop-loss limits and engaging in exception reporting.



The Bank offers foreign currency-rupee options for hedging foreign currency exposures including hedging of balance sheet exposures to the users which include corporate clients and other inter-bank counterparties. All the options positions are maintained within the limits specified in the Investment Policy. The trading activities in the foreign currency markets expose us to exchange rate risks. The foreign exchange rate risk is monitored through the net overnight open position limit approved by the board.

Assuming 1% increase/decrease in each of the foreign currencies against the respective base currency, our exchange rate sensitivity comes to Rs. 12 million and Rs. 11 million at year-end fiscal 2016 and year-end fiscal 2015 respectively. The above numbers are without any netting benefit across base currencies. We also monitor Greeks of our currency options.

#### Derivative Instruments Risk

The Bank offers various derivative products, including options and swaps, to clients for their risk management purposes. The Bank also enters into interest rate and currency derivative transactions for the purpose of hedging interest rate and foreign exchange mismatches and also engages in trading of derivative instruments on its own account.

Profits or losses on account of market movements on these transactions are borne by the clients. For the transactions which are not covered in the inter-bank market, the Bank runs open positions within the limits prescribed in its Investment Policy. The derivative transactions are subject to counterparty risk to the extent particular obligors are unable to make payment on contracts when due.

#### *Credit Spread Risk*

Credit spread risk arises out of investments in fixed income securities. Hence, volatility in the level of credit spreads would impact the value of these portfolios held by the Bank. We closely monitor our portfolio and risk is monitored by setting investment limits, rating-wise limits, single issuer limit, maturity limits and stipulating daily and cumulative stop-loss limits.

The following table sets forth, using our held for trading portfolio at year-end fiscal 2016 as the base, one possible prediction of the impact of changes in credit spreads on the value of the trading portfolio, assuming a parallel shift in credit spreads.

	At March 31, 2016				
	Change in credit spread (in basis points)				
Portfolio Size (in millions)	(100)	(50)	50	100	
Corporate debt securities	Rs. 143,476	Rs. 1,534	Rs. 776	Rs. (776)	Rs. (1,534)

At year-end fiscal 2016, our held for trading portfolio (excluding government securities) was Rs. 143.5 billion. The sensitivity model shows that if credit spreads increase by 100 basis points, the value of this portfolio would fall by Rs. 1.5 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 1.5 billion. At year-end fiscal 2015, our held for trading portfolio (excluding government securities) was Rs. 136.7 billion. The sensitivity model showed that if credit spreads increased by 100 basis points, the value of this portfolio would fall by Rs. 1.9 billion. Conversely, if credit spreads fall by 100 basis points, the value of this portfolio would rise by Rs. 1.9 billion.

### Liquidity Risk

Liquidity risk is the current and prospective risk arising out of an inability to meet financial commitments as they fall due, through available cash flows or through the sale of assets at fair market value. It includes both, the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The goal of liquidity risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

We manage liquidity risk in accordance with our Asset Liability Management Policy. This policy is framed as per the current regulatory guidelines and is approved by the Board of Directors. The Asset Liability Management Policy is

reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset Liability Management Committee of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the Asset Liability Management Policy. The Asset Liability Management Committee comprises Managing Director and CEO, Executive Directors, Presidents, Chief Financial Officer, Senior General Managers in charge of Risk and Treasury and heads of business groups. The Risk Committee of the Board, a Board Committee, has oversight of the Asset Liability Management Committee.

The Bank uses various tools for the measurement of liquidity risk including the statement of structural liquidity, dynamic liquidity cash flow statements, liquidity ratios and stress testing through scenario analysis. The statement of structural liquidity is used as a standard tool for measuring and managing net funding requirements and the assessment of a surplus or shortfall of funds in various maturity buckets in the future. The cash flows pertaining to various assets, liabilities and off-balance sheet items are placed in different time buckets based on their contractual or behavioral maturity. The statement of structural liquidity of rupee currency for domestic operations, and statement of structural liquidity of all currencies together for international operations of the Bank (country-wise and in aggregate) are prepared on daily basis. The statement of structural liquidity of foreign currency for domestic operations, consolidated statement for domestic operations and for the Bank as a whole are prepared on fortnightly basis. The utilization against gap limits laid down for each bucket is reviewed by Asset Liability Management Committee of the Bank.

We also prepare dynamic liquidity cash flow statements, which in addition to scheduled cash flows, also consider the liquidity requirements pertaining to incremental business and the funding thereof. The dynamic liquidity cash flow statements are prepared in close coordination with the business groups, and cash flow projections based on the statements are periodically presented to the Asset Liability Management Committee.

As a part of the stock and flow approach, we monitor various liquidity ratios, and limits are laid down for these ratios in the Asset Liability Management Policy. We also monitor liquidity coverage ratio which has been applicable from January 1, 2015.

The Bank has diverse sources of liquidity to allow for flexibility in meeting funding requirements. For the domestic operations, current accounts and savings deposits payable on demand form a significant part of the Bank's funding and the Bank is implementing its strategy to sustain and grow this segment of deposits along with retail term deposits. These deposits are augmented by wholesale deposits, borrowings and through the issuance of bonds and subordinated debt from time to time. Loan maturities and sale of investments also provide liquidity. The Bank holds unencumbered, high quality liquid assets and has certain mitigating measures to protect against stress conditions.

For domestic operations, the Bank also has the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. To limit the reliance on such volatile funding, the Asset Liability Management Policy stipulates limits for borrowing and lending in the inter-bank market.

For our overseas branches, the Bank also has a well-defined borrowing program. In order to maximize borrowings at a reasonable cost through its branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings, interbank bilateral loans and deposits, including structured deposits. The Bank also raises refinance from other banks against the buyers' credit and other trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. The Bank also mobilizes retail deposits, in accordance with the regulatory framework in place in the respective host country.

The Bank maintains prudential levels of liquid assets in the form of cash, balances with the central bank and government securities, money market and other fixed income securities. Currently, as stipulated by the regulator, banks in India are required to maintain their statutory liquidity ratio at a level of 21.0% effective July 9, 2016 (21.5% on March 31, 2016) of its net demand and time liabilities in India and their cash reserve ratio at a level of 4.0% of its net demand and time liabilities in India. The Bank generally holds additional securities over and above the stipulated level. The statutory liquidity ratio is scheduled to come down progressively by 25 basis points every quarter in fiscal 2017 to 20.5%. Further, banks in India were required to maintain a liquidity coverage ratio at a minimum of 60.0% for the calendar year 2015. Effective January 1, 2016, the liquidity coverage ratio requirement rose to a minimum of 70.0% for the calendar year 2016 and will further increase in a phased manner to 100.0% from January 1, 2019. During fiscal 2016, the Bank maintained a liquidity coverage ratio above the stipulated level.

Further, we have a board approved liquidity stress testing framework, under which we estimate the Bank's liquidity position under a range of stress scenarios, and considers possible measures we could take to mitigate the outflows under each scenario. These scenarios cover bank specific, market-wide and combined stress situations and have been separately designed for the domestic and international operations of the Bank. Each scenario included in the stress-testing framework covers a time horizon of 30 days. The stress-testing framework measures the impact on profit

due to liquidity outflows for each scenario, considering possible measures that we could take to mitigate the stress. The impact on profits is subject to a stress tolerance limit specified by the Board of Directors. The results of liquidity stress testing are reported to the Asset Liability Management Committee on a monthly basis. During fiscal 2016, the results of each of the stress scenarios were within the Board-approved limits.

The Risk Committee of the Board has approved a liquidity contingency plan, which lays down a framework for ongoing monitoring of potential liquidity contingencies and an action plan to meet such contingencies. The liquidity contingency plan lays down several liquidity indicators, which are monitored on a pre-defined (daily or weekly) basis and also defines the protocol and responsibilities of various teams in the event of a liquidity contingency.

Similar frameworks to manage liquidity risk have been established at each of the overseas banking subsidiaries of the Bank addressing the risks they run as well as incorporating host country regulatory requirements as applicable.

Our subsidiary in the United Kingdom raises funding through wholesale and retail sources. Wholesale sources comprise issuance of bonds through a Medium Term Note programme, bilateral and club loans as well as repo borrowings. In the retail segment, it raises deposits through its branch network as well as its internet

platform. A buffer of high quality liquid assets/central bank reserves is maintained against these deposits. Our subsidiary in Canada is funded through diversified funding sources from retail as well as wholesale sources like borrowings through securitization of insured mortgages across tenor buckets.

The Prudential Regulation Authority issued a new policy statement on Capital Requirements Directive IV Liquidity (PS 11/15) in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authorities approach to supervising liquidity and funding risk. The new guidelines were applicable from October 1, 2015. As per the guidelines the Bank is required to maintain Liquidity Coverage Ratio, as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. Additionally, Prudential Regulation Authority adopted an interim Pillar 2 approach, in which it specified the Bank to hold high quality liquid assets for add-ons specified in the existing Individual liquidity guidance for the Bank. These add-ons are for specific risks which were not captured in Liquidity Coverage Ratio.

Canadian regulations impose no liquidity pool requirements or liquidity buffer requirements on regulated Canadian banks, including ICICI Bank Canada. However, the Office of the Superintendent of Financial Institutions expects each such bank to have an internal liquidity policy articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a liquidity management policy and market risk management policy that are approved by its board of directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket.

See also "*Operating and Financial Review and Prospects—Liquidity Risk*".

## Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes legal risk but excludes strategic and reputational risks. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements. For a discussion on our vulnerability to operational risk, see "*Risk Factors—Risks Relating to Our Business—There is operational risk associated with the financial industry which, when realized, may have an adverse impact on our business*".

The management of operational risk is governed by the Operational Risk Management Policy approved by the Board of Directors. The policy is applicable across the Bank including overseas branches, ensuring a clear accountability and responsibility for management and mitigation of operational risk, developing a common understanding of operational risk and assisting the business and operation groups units to improve internal controls. The Board has constituted an Operational Risk Management Committee for analyzing and monitoring the risks associated with the various business activities of the Bank. The principal objective of the Committee is to mitigate operational risk within the Bank by

creation and maintenance of explicit operational risk management process. The Operational Risk Management Committee reviews the risk profile of various functions, the tools used for management of operational risk and implementation of the operational risk management policies and framework as approved by the Board. The Board has also approved a framework for approval of all new products/processes, which requires all new products/process or modifications to existing products/processes are approved by the Product and Process Approvals Committee.

Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, computer systems, software or equipment, fraud, inadequate training and employee errors. Operational risk is sought to be mitigated by maintaining a comprehensive system of internal controls, establishing systems and procedures to monitor transactions, maintaining key back-up procedures and undertaking regular contingency planning. The key elements in the operational risk management process in the Bank are risk identification and assessment, risk measurement, risk monitoring and risk mitigation.

In each of the banking subsidiaries, local management is responsible for implementing operational risk management framework through the operational risk management policy approved by their respective boards.

#### Operational Controls and Procedures in Retail Banking

Retail banking is organized into a zonal structure and each of the zones are headed by senior officials of the Bank. There are designated product, sales, credit and operations structure for customer sourcing and servicing.

The branches are supported by regional/centralized processing centers which ensure adequate operational controls.

We have put in place comprehensive operating manuals detailing procedures for the processing of various banking transactions. Amendments to these manuals are implemented through circulars, which are accessible to our branch employees on our intranet. In addition, our branches are supported by product, marketing, audit and compliance teams.

Our core banking application software has multiple security features to protect the integrity of applications and data.

Transactions relating to customer accounts are processed based on built-in system checks and authorization procedures. Cash transactions over a specified limit are subjected to enhanced scrutiny to avoid potential money laundering.

#### Operational Controls and Procedures for Internet Banking

The Bank has put in place adequate authentication and authorization controls for transactions through internet banking. In addition to login password, transactions are required to be authorized with random grid value authentication (a grid is a set of numbers printed on the reverse side of the debit card). Additionally, one-time password authentication is required in case we identify a change in the customer's device fingerprint. The one-time password is sent to the customer's mobile number registered with us. To add a payee for transfer of funds, the customer is required to validate a unique registration number that is sent to the customer's mobile number registered with us. Internet transactions using credit cards require additional password-based authentication besides other authentications present on the card. Text message alerts are also sent to the customer for internet-based transactions beyond a threshold level. To create awareness among customers about phishing, vishing and other internet-related frauds, we regularly send e-mails to the customers. The internet banking infrastructure is secured through the multi-layer information security controls, including firewalls, intrusion prevention systems and network level access controls. These are supplemented by periodic penetration tests, vulnerability assessments and continuous security incident monitoring of internet banking servers.

#### Operational Controls and Procedures in the Regional Processing Centers and Central Processing Center

The Bank has designated regional processing centers located at various cities across the country. These regional processing centers engage in activities like processing clearing checks and inter-branch transactions, outstation check collections, and engage in back-office activities for account opening, renewal of deposits and salary transaction processing of corporations. There are currency chests located at 35 locations in various cities across India, which cater to the cash requirements of branches and ATMs.



The Bank has two centralized processing centers, one each in Mumbai and Hyderabad, processing the transactions on a nationwide basis for the issuance of debit cards, mailing of personal identification numbers, issuance of passwords to internet banking customers and internet banking bill payments and processing of credit card transactions. Centralized processing has also been extended to activities like issuance of personalized checkbooks and the activation of newly opened accounts.

#### Operational Controls and Procedures in Treasury

The Bank has put in place a comprehensive internal control structure with respect to its treasury operations. The control measures include the segregation of duties between treasury front-office and treasury control and services group, automated control procedures, continuous monitoring procedures through detailed reporting statements, and a well-defined code of conduct for dealers. We have also set up limits in respect of treasury operations including deal-wise limits and product-wise limits. In order to mitigate the potential mis-selling risks, if any, a customer suitability and appropriateness policy has been implemented. Similarly, in order to mitigate potential contractual risks, if any, negotiations for deals are recorded on a voice recording system. Some of the control measures include independence of deal validation, deal confirmation, documentation, limits monitoring, treasury accounting, settlement, reconciliation and regulatory compliance. Treasury control and services group reviews the unconfirmed, unsettled deals if any, on a regular basis and follows up for timely confirmation or settlement. There is a mechanism of escalation to senior management in case of delays in settlement or confirmation beyond a time period. In addition to the above, concurrent and internal audits are also conducted independently in respect of treasury operations on a periodic basis. The control structure in our treasury operations is designed to prevent errors and potential fraud and provide early-warning signals.

### Operational Controls and Procedures in Retail Asset Operations

The Bank has designated decentralized asset processing centers located at various cities across the country. These Decentralized asset processing centers engage in activities of loan disbursement and regular banking activity related to retail loans with sufficient internal checks and controls.

The Bank has three central asset operation units located in Mumbai, Hyderabad and Noida. These central units support operations relating to retail asset products across the country and carry out activities like loan accounts maintenance, issuance of credit card, accounting and reconciliation, payouts and repayment management activities for all retail asset products.

### Operational Controls and Procedures for Corporate Banking

Corporate banking is also organized into a zonal structure. The front office is responsible for sourcing clients and performing a credit analysis of the proposal. The credit risk is independently evaluated by the Risk Management Group. Operations regarding corporate banking products and services are supported by the middle office and back office with well-defined process ownership. The key processes and their ownership are documented through process notes which are reviewed periodically. The middle office conducts verification and scrutiny of the documents and memos to ensure mitigation of post-approval risks. It also monitors adherence to the terms of approval by periodically publishing compliance monitoring reports. The back office in corporate operations comprises units responsible for the execution of trade finance, cash management and general banking transactions based on the requests and instructions initiated through channels including branches.

### Operational Controls and Procedures for Commercial Banking

Commercial banking products and services are offered through identified commercial and retail branches, which are spread across all major business centers throughout the country. The commercial branches are led by senior branch heads, who are experienced commercial bankers. The transactions initiated at the mega branches are processed by independent and centralized operation units responsible for the execution of trade finance, cash management and general banking transactions.

### Operational Controls and Procedures for Rural Banking

The Bank's rural banking operations include meeting the financial requirements of customers in rural and semi-urban locations, primarily engaged in agriculture and allied activities. The Bank also focuses on enrollment of beneficiaries under government social schemes. There are designated product, sales, credit and operations structure for the rural banking segment. The customers are offered various products by the sales and business teams and there are various processes and controls performed by independent teams such as Credit Monitoring Group and Operations Group with well-defined process ownership. There are independent monitoring and controls on the quality of the commodities pledged and title of the land considered as collateral. Hind sighting is also carried out to check the effectiveness of the processes.

#### Anti-Money Laundering Controls

The Bank has implemented Know Your Customer/Anti-Money Laundering/Combating of Financing of Terrorism guidelines in accordance with the provisions under Prevention of Money Laundering Act, 2002, rules promulgated thereunder and guidelines issued by the regulators from time to time.

Implementation of these guidelines includes the formulation of a Group Anti-money Laundering Policy with the approval of the Board of Directors of the Bank which also covers the overseas branches/subsidiaries; oversight by the Audit Committee on the implementation of the Anti-Money Laundering framework; appointment of a senior level officer as the principal officer who has the day-to-day responsibility for implementation of the anti-money laundering framework; implementation of adequate Know Your Customer procedures based on risk categorization of customer segments, screening of names of customers with negative lists issued by the regulators and customer risk categorization for classifying the customers into high, medium and low risk segments; risk-based transaction monitoring and regulatory reporting procedures through automated applications; implementing appropriate mechanisms to train employees' and to creating customer awareness on this subject.

Our Know-Your-Customer procedures take into account the risk assessment of product and customer segments, with basic due diligence performed for low risk, enhanced due diligence performed for high risk customers pursuant to the Reserve Bank of India guidelines.

The Bank also adheres to the anti-money laundering requirements as specified by the regulators of respective geographies. The Bank's anti-money laundering framework is subject to audit by the Internal Audit Department and their observations are reported to the Audit Committee at regular intervals.

Our life insurance subsidiary has implemented Know-Your-Customer/Anti-Money Laundering/Combating of Financing of Terrorism guidelines issued according to the Prevention of Money Laundering Act, 2002 and guidelines issued by Insurance Regulatory and Development Authority of India from time to time.

An Anti-Money Laundering/Combating of Financing of Terrorism Policy has been approved by the board of directors of the life insurance subsidiary. The policy is also in accordance with the Group Anti-Money-Laundering policy and includes oversight by the Audit Committee on the implementation of the anti-money laundering framework. It provides for appointment of a senior level officer as the principal officer who, has the responsibility for ensuring compliance with the obligations imposed under of Chapter IV of the Prevention of Money Laundering Act, 2002 and the rules made thereunder.

Following the release on the internet of videos in March-April 2013 forming part of a sting operation on banks and insurance companies in India, that purported to show the Bank's frontline branch employees engaging in conversations that would violate the Group Code of Business Conduct and Ethics and could have, if any transactions had been consummated, led to violations of anti-money laundering and know your customer norms, the Reserve Bank of India undertook investigations at ICICI Bank and over 30 other banks in India. While the Reserve Bank of India's investigations did not reveal any prima facie evidence of money laundering, the Reserve Bank of India has imposed an aggregate penalty of Rs. 665 million (US\$ 11 million) on 31 Indian banks, including Rs. 10 million (US\$ 0.2 million) on ICICI Bank, for instances of violation of applicable regulations, which we have paid. A penalty of Rs. 1.4 million was also imposed on the Bank in February 2015 by the Financial Intelligence Unit, India for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. We have filed an appeal against the penalty.

In July 2014, the Reserve Bank of India imposed a penalty, for violation of instructions /directions/guidelines issued by the Reserve Bank of India, on 12 Indian banks, including us, following its scrutiny of the loan and current accounts of a corporate borrower with these banks. The penalty imposed on us was Rs. 4 million.

In December 2014, the Reserve Bank of India imposed penalties on two Indian banks, including us, for non-compliance with the know your customer/anti-money laundering directions/guidelines issued by the Reserve Bank of India in respect of fraudulent opening of fictitious accounts with certain banks. The penalty imposed on us was Rs. 5 million. See *“Risk Factors—Risks Relating to Our Business—The enhanced supervisory and compliance environment in the financial sector increases the risk of regulatory action, whether formal or informal. Following the financial crisis, regulators are increasingly viewing us, as well as other financial institutions, as presenting a higher risk profile than in the past”* and *“Risk Factors—Risks Relating to Our Business—Negative publicity could damage our reputation and adversely impact our business and financial results and the price of our equity shares and ADS.”*.

## Audit

The Internal Audit Group governed by a Group Audit Charter and Internal Audit Policy approved by the Board of Directors, provides independent, objective assurance on the effectiveness of internal controls, risk management and corporate governance and suggests improvements. It helps us accomplish our objectives by evaluating and improving the effectiveness of risk management, internal controls and governance processes, through a systematic and disciplined approach. The Internal Audit Group acts as an independent entity and reports to the Audit Committee of the Board.

The Internal Audit Group maintains staff with sufficient knowledge, skills, experience and professional certifications. It deploys audit resources with expertise in audit execution and adequate understanding of business activities. The processes within Internal Audit Group are certified under ISO 9001-2008. Further, an assessment of the quality of assurance provided by the Internal Audit Group is conducted through an independent external firm once in three years.

The Internal Audit Group has adopted a risk based audit methodology in accordance with the Reserve Bank of India guidelines. The risk-based audit methodology is outlined in the Internal Audit Policy. An annual risk-based audit plan is drawn up based on the risk-based audit methodology and is approved by the Audit

Committee of the Board. Accordingly, the Internal Audit Group undertakes a comprehensive audit of all branches, business groups and other functions in accordance with the risk-based audit plan.

The Internal Audit Group also has a dedicated team responsible for information technology security audits. The annual audit plan covers various components of information technology including applications, networks, infrastructure and information technology general controls.

The Reserve Bank of India requires banks to have a process of concurrent audits at business groups dealing with treasury functions, branches handling large volumes, to cover a minimum of 50.0% of credit, deposits and other risk exposures of the Bank, head office functions and information technology data centers. In compliance with the requirements, the Internal Audit Group has formulated a strategy for concurrent audits at treasury-related functions and at select branches. Concurrent audits are also carried out at centralized and regional processing centers and at centralized operations units with a focus on areas that are identified as needing transaction testing and also to ensure existence of and adherence to internal controls. The information technology data center and some of the head office functions are also under purview of concurrent audit. The details of the concurrent audit coverage are outlined in the annual risk-based audit plan.

The audit of overseas banking subsidiaries and domestic non-banking subsidiaries is carried out by a dedicated team of resident auditors attached to the respective subsidiaries. These audit teams functionally report to the Audit Committees of the respective subsidiary and to the Internal Audit Group. The audit of overseas branches and representative offices is carried out by audit teams consisting of auditors from India as well as a resident auditor based at the Singapore branch. International operations outsourced to India are audited by a team of auditors in India.

#### Legal and Regulatory Risk

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. The uncertainty of the enforceability of the obligations of our customers and counter-parties, including the foreclosure on collateral, creates legal risk. Changes in laws and regulations could adversely affect us. Legal risk is higher in new areas of business where the law is often untested by the courts. We seek to minimize legal risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting internal and external legal advisors. See also “*Risk Factors—Risks Relating to Our Business— We are involved in various litigations. Any final judgment awarding material damages against us could have a material adverse impact on our future financial performance and, our stockholders’ equity*” and “*Risk Factors—Risks relating to Our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*”.

#### Risk Management Framework for International Operations

We have adopted a risk management framework for our international banking operations, including overseas branches, our International Financial Services Centre Banking Unit and Offshore Banking Unit. Under the framework, the Bank's credit, investment, asset liability management and anti-money laundering policies apply to all the overseas branches, our International Financial Services Centre Banking Unit and Offshore Banking Unit, with modifications to meet local regulatory or business requirements. These modifications may be made with the approval of our Board of Directors or the committees designated by the Board of Directors. The Board of Directors/designated committee of the Board approve their respective risk management policies, based on applicable laws and regulations as well as the Bank's corporate governance and risk management framework. Policies at the overseas banking subsidiaries are approved by Board of Directors of the respective subsidiaries and are framed in consultation with the related groups in the Bank as per the risk management framework.

The Compliance Group oversees regulatory compliance at the overseas branches, its International Financial Services Centre Banking Unit and Offshore Banking Unit. Compliance risk assessment along with the key risk indicators pertaining to our domestic and international banking operations are presented to the Risk Committee of our Board of Directors on a periodic basis. Management of regulatory compliance risk is considered as an integral component of the governance framework at the Bank and its subsidiaries along with the internal control mechanisms. We have therefore adopted an appropriate framework for compliance, by formulating the Group Compliance Policy, which is approved by the Board of Directors and is reviewed from time to time. The Group

Compliance Policy outlines a framework for identification and evaluation of the significant compliance risks, on a consolidated basis, in order to assess how these risks might affect our safety and soundness.

## Risk Management in Key Subsidiaries

### ICICI Bank UK

ICICI Bank UK is primarily exposed to credit risk, market risk (including interest and liquidity risks), operational risk, compliance and reputation risk.

The Board of Directors of ICICI Bank UK is responsible for oversight and control of the functioning of ICICI Bank UK and approves all major policies and procedures. The Board is assisted by its sub-committees, the Audit Committee, Governance Committee, Risk Committee, Conduct Risk Committee and Credit Committee which have been constituted to facilitate focused oversight on various risks. ICICI Bank UK's risk appetite and policies approved by the Board/or the Board's committees form the governing framework for each type of risk. Business activities are undertaken within the approved risk appetite and policy framework.

All credit risk related issues are governed by ICICI Bank UK's Credit Risk Management Policy. ICICI Bank UK takes a two-tier approach to assessment of credit risk with the first review by the commercial officer proposing the transaction and the proposal is then reviewed independently and assessed by a credit officer from within the risk team. Credit risk is also managed at the portfolio level by monitoring the key parameters of risk concentration such as industry exposures, country exposures, rating category based exposures, product specific exposures and large exposures.

ICICI Bank UK has board/board committee approved policies for managing market risk such as its treasury policy manual and mandate, valuation policy, model validation policy and independent price verification policy. For monitoring and managing market risk, it uses various risk metrics, including the duration of equity, price value of one basis point change in interest rate, price value of one basis point change in credit spread, stop loss limits and value at risk limits.

ICICI Bank UK uses various tools for measurement of liquidity risk including the statement of structural liquidity, liquidity ratios and stress testing through scenario analysis. In line with its liquidity risk appetite, ICICI Bank UK maintains adequate high quality liquid assets/central bank reserves to cover projected stressed outflows under various scenarios as approved by the Board in the Internal Liquidity Adequacy Assessment process. ICICI Bank UK maintains high quality liquid assets to comply with the liquidity coverage requirements stipulated by the Prudential Regulation Authority.



The management of operational risk (including fraud and conduct risks) is governed by the Operational Risk Management Policy approved by the Board Risk Committee. Operational risk elements covered in the Operational Risk Management Policy include operational incident management, techniques for risk identification and measurement, monitoring through key risk indicators and risk mitigation techniques.

#### ICICI Bank Canada

ICICI Bank Canada is primarily exposed to credit risk, market risk (including interest and liquidity risks), operational risk, compliance and reputation risk. ICICI Bank Canada has developed a risk management framework to ensure that the risks are identified, measured and monitored effectively. The framework also requires the establishment of policies and procedures to monitor and mitigate the risks.

The Board of Directors of ICICI Bank Canada has oversight on all risks assumed by ICICI Bank Canada. The Board has established committees and assigned specific mandates to the committees for providing oversight for the various risks facing it. The policies approved by the Board create the governing framework for managing various risks faced by ICICI Bank Canada. Business activities are undertaken within this policy framework.

The Risk Committee of the Board has delegated the operational responsibility for credit risk management to the Management Credit Committee within the broad parameters and limits laid down in the Credit and Recovery Policy. The Management Credit Committee approves credit proposals before recommending them to Risk Committee, manages the credit risk on a portfolio basis and reviews asset quality and portfolio quality on a monthly basis and the same is presented to the Risk Committee at least on a quarterly basis.

The Risk Committee has delegated operational responsibility for market risk management and liquidity risk management to the Asset Liability Committee within the broad parameters and limits laid down in the Market

Risk Management Policy and Liquidity Management Policy respectively. The Asset Liability Committee reviews matters pertaining to Investment and Treasury operations and the implementation of risk mitigation measures and recommends major policy changes governing treasury activities to the Risk Committee. Asset Liability Committee reviews adherence to market risk and liquidity risk requirements of the Office of the Superintendent of Financial Institutions (Canada's banking regulator), internal control guidelines and limits.

The Risk Committee has delegated operational responsibility for management of operational risk to the Operational Risk Committee under the Management Committee. Operational Risk Committee is responsible for managing operational risks in the day-to-day operations of ICICI Bank Canada. The Operational Risk Committee under the oversight of Management Committee reviews the Operational Risk Management implementation and operational risk profiles on a monthly basis.

#### ICICI Securities Primary Dealership

ICICI Securities Primary Dealership is a primary dealer and has government of India securities as a significant proportion of its portfolio. The Corporate Risk Management Group at ICICI Securities Primary Dealership has developed comprehensive risk management policies which seek to manage the risks generated by the activities of the organization. The Corporate Risk Management Group develops and maintains models to assess market risks which are constantly updated to capture the dynamic nature of the markets and in this capacity, participates in the evaluation and introduction of new products and business activities.

ICICI Securities Primary Dealership has an internal Risk Management Committee which is chaired by an Independent Director and comprises members of its Board of Directors. The Risk Management Committee is responsible for analyzing and monitoring the risks associated with the different business activities of ICICI Securities Primary Dealership and ensuring adherence to the risk and investment limits set by its Board of Directors.

#### ICICI Prudential Life Insurance Company

The risk governance structure of ICICI Prudential Life Insurance Company consists of the Board, Board Risk Management Committee, Executive Risk Committee and its sub-committees. The Board, on the recommendation of Board Risk Management Committee, has approved the risk policy which covers the identification, measurement, monitoring and control standards relating to various operational risks. The risk policy sets out the governance structure for risk management in ICICI Prudential Life Insurance Company.

The Board Risk Management Committee, which consists of non-executive directors, formulates the risk management policy, including asset liability management, monitors all risks across various lines of business and establishes

appropriate systems to mitigate such risks. The Board Risk Management Committee also defines ICICI Prudential Life Insurance Company's risk appetite and risk profile, oversees the effective operation of the risk management system and advises the Board on key risk issues.

The Executive Risk Committee, which comprises senior management, is responsible for assisting the Board and the Board Risk Management Committee in their risk management duties by guiding, coordinating and ensuring compliance with the risk management policies and, in particular, is responsible for the approval of all new products launched by ICICI Prudential Life Insurance Company.

The risk management model of ICICI Prudential Life Insurance Company comprises a four-stage continuous cycle, namely identification and assessment, measurement, monitoring and control of risks. ICICI Prudential Life Insurance Company's risk policy details the strategy and procedures adopted to follow the risk management cycle at the enterprise level. A risk report detailing the key risk exposures faced by ICICI Prudential Life Insurance Company and mitigation measures is placed before the Board Risk Management Committee on a quarterly basis.

#### ICICI Lombard General Insurance Company

ICICI Lombard General Insurance Company is principally exposed to risks arising out of the nature of business underwritten and credit risk on its investment portfolio as well as the credit risk it carries on its reinsurers. In respect of business risk, ICICI Lombard General Insurance seeks to diversify its insurance portfolio across product classes, industry sectors and geographical regions. ICICI Lombard General Insurance focuses on achieving a balance between the corporate and retail portfolio mix to achieve favorable claim ratio and risk diversification. ICICI Lombard General Insurance has a risk retention and reinsurance policy whereby tolerance levels are set as per risk and on a per event basis. ICICI Lombard General Insurance also has the

ability to limit its risk exposure by way of re-insurance arrangements. Investments of the company are governed by the investment policy approved by its Board of Directors within the norms stipulated by the Insurance Regulatory and Development Authority of India. The Investment Committee oversees the implementation of this policy and reviews it periodically. Exposure to any single entity is restricted to 5.0% of the portfolio, or 7.5% of subscribed share capital, free reserves and debentures/bonds of the entity and to any industry to 15.0% of the portfolio.

#### Controls and Procedures

We have carried out an evaluation under the supervision and with the participation of management, including the Managing Director and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act at year-end fiscal 2016.

As a result, it has been concluded that, as of the end of the period covered by this report, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Securities Exchange Act is recorded, processed, summarized and reported as and when required.

However, as a result of our evaluation, we noted certain areas where our processes and controls could be improved. The Audit Committee monitors the resolution of any identified significant process and control improvement opportunities to a satisfactory conclusion. Like all financial institutions, we nevertheless believe there is room for further improvement. We are committed to continuing to implement and improve internal controls and our risk management processes, and this remains a key priority for us. We also have a process whereby business and financial officers throughout the Bank attest to the accuracy of reported financial information as well as the effectiveness of disclosure controls, procedures and processes.

There are inherent limitations to the effectiveness of any system, especially of disclosure controls and procedures, including the possibility of human error, circumvention or overriding of the controls and procedures, in a fast-changing environment or when entering new areas of business or expanding geographic reach. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

We have experienced significant growth in a fast-changing environment, and management is aware that this may pose significant challenges to the control framework. See also “*Risk Factors—Risks Relating to Our Business—There is operational risk associated with the financial industries which, when realized, may have an adverse impact on our business*”.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act). Our internal control system has been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation and fair presentation of published financial statements and net income and stockholders' equity reconciliation statements, in accordance with respective applicable Generally Accepted Accounting Principles.

Management maintains an internal control system intended to ensure that financial reporting provides reasonable assurance that transactions are executed in accordance with the authorizations of management and directors, assets are safeguarded and financial records are reliable.

Our internal controls include policies and procedures that:

pertain to the maintenance of records that accurately and fairly reflect in reasonable detail the transactions and dispositions of our assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are made only in accordance with authorizations of management and the executive directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

All internal control systems, no matter how well-designed, have inherent limitations, and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of internal control over financial reporting at year-end fiscal 2016 based on criteria set by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on the assessment, management concluded that our internal control over financial reporting was effective at year-end fiscal 2016. Effectiveness of our internal control over financial reporting at year-end fiscal 2016 has been audited by KPMG, an independent registered public accounting firm, as stated in their attestation report, which is included herein.

#### Change in Internal Control Over Financial Reporting

No change in our internal control over financial reporting occurred during the period covered by this annual report that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

#### Loan Portfolio

Our gross loan portfolio increased by 13.1% from Rs. 4,507.5 billion at year-end fiscal 2015 to Rs. 5,097.9 billion at year-end fiscal 2016. At March 31, 2016, approximately 69.2% of our gross loans were rupee loans.

#### *Loan Portfolio by Categories*

The following table sets forth, at the dates indicated, our gross rupee and foreign currency loans by business category.

	At March 31, 2012 (in millions)	2013	2014	2015	2016	2016
<b>Consumer loans and credit card receivables<sup>(1)</sup></b>	Rs.1,040,975	Rs.1,181,588	Rs.1,470,783	Rs.1,762,154	Rs.2,153,561	US\$32,507
Rupee	946,778	1,068,305	1,251,032	1,534,281	1,895,734	28,615

Edgar Filing: ICICI BANK LTD - Form 20-F

Foreign currency <sup>(2)</sup>	94,197	113,283	219,751	227,873	257,827	3,892
<b>Commercial<sup>(3)</sup></b>	1,967,210	2,204,054	2,494,150	2,745,376	2,944,355	44,443
Rupee	1,006,863	1,193,433	1,310,457	1,493,578	1,631,734	24,630
Foreign currency	960,347	1,010,621	1,183,693	1,251,798	1,312,621	19,813
<b>Leasing and related activities<sup>(4)</sup></b>	-	-	-	-	-	-
Rupee	-	-	-	-	-	-
Foreign currency	-	-	-	-	-	-
Gross loans	3,008,185	3,385,642	3,964,933	4,507,530	5,097,916	76,950
Rupee	1,953,641	2,261,738	2,561,488	3,027,859	3,527,468	53,245
Foreign currency	1,054,544	1,123,904	1,403,445	1,479,671	1,570,448	23,705
Total gross loans	3,008,185	3,385,642	3,964,933	4,507,530	5,097,916	76,950
Allowance for loan losses	(86,931 )	(85,901 )	(91,515 )	(122,629 )	(160,625 )	(2,425 )
Net loans	Rs.2,921,254	Rs.3,299,741	Rs.3,873,418	Rs.4,384,901	Rs.4,937,291	US\$74,525

(1) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit card receivables, jewel loans, farm equipment loans and other rural loan products.

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 91.8 billion at March 31, 2016.

(3) Includes builder financing and dealer financing.

(4) Leasing and related activities includes leasing and hire purchase.

Our gross rupee loans increased from Rs. 3,027.8 billion constituting 67.2% of our total gross loans at year-end fiscal 2015 to Rs. 3,527.5 billion constituting 69.2% of our total gross loans at year-end fiscal 2016 primarily due to an increase in consumer loans and credit card receivables. Our gross foreign currency loans increased from Rs. 1,479.7 billion, constituting 32.8% of our total gross loans at year-end fiscal 2015 to Rs. 1,570.4 billion, constituting 30.8% of our total gross loans at year-end fiscal 2016 primarily due to the impact of the depreciation of the rupee against the U.S. dollar, an increase in the insured mortgage portfolio of ICICI Bank Canada and an increase in commercial loans of ICICI Bank UK. See also “*Operating and Financial Review and Prospects—Financial Condition—Advances*”.

At year-end fiscal 2016, we did not have outstanding cross-border loans (defined as loans made to borrowers outside of India) exceeding 1.0% of our assets in any country except Canada, which were between approximately 2.5% to 3.0% of our assets. We had outstanding cross-border loans to U.S. borrowers amounting to between 0.5% and 1.0% of our assets.

#### Collateral —Completion, Perfection and Enforcement

Our loan portfolio largely consists of project and corporate finance and working capital loans to corporate borrowers, loans to retail customers, including home loans, automobile loans, commercial business loans, personal loans and credit card receivables and agricultural financing. In general, other than personal loans, credit card receivables and some forms of corporate and agricultural financing, which are unsecured, we stipulate that the loans should be collateralized at the time of loan origination. However, it should be noted that obstacles within the Indian legal system can create delays in enforcing collateral. See “*Risk Factors—Risks Relating to Our Business— If we are not able to control the level of non-performing assets in our portfolio, our business will suffer*”. In India, there are no regulations stipulating loan-to-collateral limits, except in the case of home loans and loan against gold ornaments and jewelry. The Reserve Bank of India, through a guideline has capped the loan-to-value ratio at 90% for home loans up to Rs. 3.0 million, at 80% for home loans between Rs. 3.0 million and Rs. 7.5 million and at 75% for home loans above Rs 7.5 million. Further, the Reserve Bank of India, through a guideline has capped the loan-to-value ratio at 75% for loan against gold ornaments and jewelry.

#### Secured consumer loan portfolio

Secured consumer loans for the purchase of assets, such as mortgage loans and automobile loans are secured by the assets being financed (predominantly property and vehicles).

Depending on the type of borrower and the asset being financed, the borrower may also be required to contribute towards the cost of the asset. Accordingly, the security value is generally higher than the loan amount at the date of loan origination.



For other secured consumer loans, such as loans against property and property overdrafts, we generally require collateral of 125% of the loan amount at origination.

#### Commercial loans

The Bank generally seeks collateral valued at 125% to 150% of the loan amount at origination for commercial loans. The collateral for project and other corporate loans are usually immovable assets, which are typically mortgaged in the Bank's favor, or movable assets, which are typically hypothecated in the Bank's favor. These security interests must be perfected by the registration of these interests within time limits stipulated under the Companies Act with the Registrar of Companies pursuant to the provisions of the Companies Act when borrowers are constituted as companies. This registration amounts to a constructive public notice to other business entities of the security interests created by such companies. Prior to creation of security interests on all assets, which are not stock-in-trade for the company, a no-objection certificate from the income tax authorities is required to create a charge on the asset. We may also take security of a pledge of financial assets like marketable securities (for which perfection of security interests by registration with the Registrar of Companies is not mandatory for companies under the Companies Act), and obtain corporate guarantees and personal guarantees wherever appropriate. In certain cases, the terms of financing include covenants relating to sponsor shareholding in the borrower and restrictions on the sponsors' ability to sell all or part of their shareholding. Covenants involving equity shares have a top-up mechanism based on price triggers. See also "*Risk Factors—Risks Relating to Our Business—The value of our collateral may decrease or we may experience delays in enforcing our collateral when borrowers default on their obligations to us which may result in failure to recover the expected value of collateral security exposing us to a potential loss*".

The Bank generally requires collateral value at 150% of the outstanding loan amounts for loans to real estate companies and lease rental discounting facilities. Our lease rental discounting facility is a loan facility offered to borrowers where the loans are granted against confirmed future lease rental payments to be received by the borrowers.

For working capital facilities, the current assets of borrowers are taken as collateral. Each borrower is required to declare the value of current assets periodically. The borrower's credit limit is subject to an internally approved ceiling that applies to all borrowers. We calculate a borrower's credit limits as a certain percentage of the value of the collateral, which provides us with an adequate margin, should the borrower default.

Additionally, in some cases, we may take further security of a first or second charge on fixed assets, a pledge of financial assets like marketable securities, or obtain corporate guarantees and personal guarantees wherever appropriate. We also accept post-dated checks and cash as additional comfort for the facilities provided to various entities.

The Bank has an internal framework for updating the collateral values of commercial loans on a periodic basis. Generally, for commercial loans, the value of moveable property held as collateral is updated annually and the value of immovable property held as collateral is updated every three years.

The Bank has a mechanism by which it tracks the creation of security and follows up in case of any delay in creation of any security interest. The delays could be due to time taken for acquisition of the asset on which security interest is to be created (or completion of formalities related thereto), obtaining of requisite consents including legal, statutory or contractual obligations to obtain such consents, obtaining of legal opinions as to title and completion of necessary procedure for perfection of security in the respective jurisdictions.

The Bank is entitled, by the terms of security documents, to enforce security and appropriate the proceeds towards the borrower's loan obligations without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to challenge such enforcement.

Separately, in India, foreclosure on collateral of property can be undertaken directly by lenders by fulfilling certain procedures and requirements (unless challenged in courts of law) or otherwise by a written petition to an Indian court or tribunal. In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, subsequently amended, which strengthened the ability of lenders to resolve non-performing assets by granting them greater rights as to enforcement of security, including over immovable property and recovery of dues, without reference to the courts or tribunals. However, the process may be subject to delays and administrative requirements that may result, or be accompanied by, a decrease in the value of the collateral. These delays can last for several years and therefore might lead to deterioration in the physical condition and market value of the collateral. In the event a corporate borrower is in financial difficulty and unable to sustain itself, it may opt for the process of voluntary winding up. In case a company becomes a sick unit, foreclosure and

enforceability of collateral is stayed. The Insolvency and Bankruptcy Code, 2016, enacted in May 2016, is expected, when finally implemented, to simplify the process and enable early resolution as it provides for a time-bound revival and rehabilitation mechanism. See also “*Overview of the Indian Financial Sector—Structural Reforms—Legislative Framework for Recovery of Debts due to Banks—Insolvency and Bankruptcy Code, 2016*”.

In case of consumer installment loans, we obtain direct debit mandates or post-dated checks towards repayment on pre-specified dates. Post-dated checks, if dishonored, entitle us on occurrence of certain events to initiate criminal proceedings against the issuer of the checks.

We recognize that our ability to realize the full value of the collateral in respect of current assets is difficult due to, among other things, delays on our part in taking immediate action, delays in bankruptcy foreclosure proceedings, defects in the perfection of collateral (including due to inability to obtain approvals that may be required from various persons, agencies or authorities) and fraudulent transfers by borrowers and other factors, including current legislative provisions or changes thereto and past or future judicial pronouncements. However, cash credit facilities are so structured that we are generally able to capture the cash flows of our customers for recovery of past due amounts. In addition, the Bank generally has a right of set-off for amounts due to us on these facilities. The Bank requires its working capital loan customers to submit data on their working capital position on a regular basis, so that we can take any actions required before the loan becomes impaired. On a case-by-case basis, we may also stop or limit the borrower from drawing further credit from its facility.

## Loan Concentration

We follow a policy of portfolio diversification and evaluate our total financing exposure in a particular industry in light of our forecasts of growth and profitability for that industry. Our Credit Risk Management Group monitors all major sectors of the economy and specifically tracks industries in which we have credit exposures. We seek to respond to economic weakness through active portfolio management, by restricting exposure to weak sectors and increasing exposure to the segments that are growing and have been resilient. ICICI Bank's policy is to limit its loans to any particular industry (other than retail loans) to 15.0% of its total exposure.

Pursuant to the guidelines of the Reserve Bank of India, credit exposure of banks to an individual borrower generally must not exceed 15.0% of our capital funds, unless the exposure is in respect of an infrastructure project. Capital funds comprise Tier 1 and Tier 2 capital calculated pursuant to the guidelines of the Reserve Bank of India, under Indian GAAP. Credit exposure to individual borrowers may exceed the exposure norm of 15.0% of our capital funds by an additional 5.0% (i.e. the aggregate exposure can be 20.0%) provided the additional credit exposure is on account of infrastructure financing. Our exposure to a group of companies under the same management control generally must not exceed 40.0% of our capital funds unless the exposure is in respect of an infrastructure project. The exposure to a group of companies under the same management control, including exposure to infrastructure projects, may be up to 50.0% of our capital funds. Banks may, in exceptional circumstances, with the approval of their boards, enhance the exposure by 5.0% of capital funds (i.e., the aggregate exposure can be 20.0% of capital funds for an individual borrower and the aggregate exposure can be 45.0% of capital funds for a group of companies under the same management), making appropriate disclosures in their annual reports. Exposure for funded and non-funded credit facilities is calculated as the total committed amount or the outstanding amount whichever is higher (for term loans, as the sum of undisbursed commitments and the outstanding amount). Investment exposure is considered at book value. At year-end fiscal 2016, we were in compliance with these guidelines.

In addition, the Bank has refined and strengthened its framework for managing concentration risk with respect to single borrower and group exposures with tighter limits on lower rated borrowers and group exposure limits.

At year-end fiscal 2016, our largest non-bank borrower accounted for approximately 13.1% of our capital funds. The largest group of companies under the same management control accounted for approximately 28.4% of our capital funds.

The following table sets forth, at the dates indicated, the composition of our gross advances.

Edgar Filing: ICICI BANK LTD - Form 20-F

	At March 31, 2012		2013		2014		2015		2016
	Amount	As a %	Amount	As a %	Amount	As a %	Amount	As a %	Amount
(in millions, except percentages)									
Retail finance <sup>(1)</sup> , (2)	Rs. 1,183,925	39.4 %	Rs. 1,290,184	38.1 %	Rs. 1,621,267	40.9 %	Rs. 1,956,857	43.4 %	Rs. 2,281,100
Roads, port, telecom, urban development & other infrastructure	196,855	6.5	227,966	6.7	271,869	6.9	260,526	5.8	271,869
Power	153,841	5.1	200,452	5.9	237,912	6.0	260,204	5.8	237,912
Services —non finance	233,325	7.8	243,298	7.2	266,016	6.7	286,844	6.4	266,016
Iron/steel and iron/steel products	132,311	4.4	173,350	5.1	200,754	5.1	233,712	5.2	200,754
Services —finance	152,184	5.1	155,201	4.6	127,735	3.2	146,879	3.2	127,735
Wholesale/retail trade	54,985	1.8	70,752	2.1	83,757	2.1	137,036	3.0	83,757
Metal & products (excluding iron & steel)	68,587	2.3	63,650	1.9	93,121	2.3	112,766	2.5	93,121
Construction	60,408	2.0	73,443	2.2	89,316	2.3	107,610	2.4	89,316
Crude petroleum/refining & petrochemicals	77,804	2.6	95,729	2.8	127,887	3.2	140,852	3.1	127,887
Cement	48,149	1.6	72,156	2.1	79,019	2.0	92,581	2.1	79,019
Food & beverages	86,473	2.9	92,257	2.7	82,020	2.1	77,592	1.7	82,020
Mining	86,802	2.9	83,086	2.5	65,455	1.7	80,037	1.8	65,455
Electronics & engineering	65,576	2.2	73,835	2.2	96,717	2.4	81,599	1.8	96,717
Shipping	42,894	1.4	45,257	1.3	59,459	1.5	67,480	1.5	59,459
Gems & jewelry	32,749	1.1	38,001	1.1	44,845	1.1	45,047	1.0	44,845
Chemicals and fertilizers	42,924	1.4	43,070	1.3	38,299	1.0	31,254	0.7	38,299
Others <sup>(3)</sup>	288,393	9.6	343,955	10.2	379,485	9.5	388,654	8.6	379,485
Gross loans	3,008,185	100.0 %	3,385,642	100.0 %	3,964,933	100.0 %	4,507,530	100.0 %	3,964,933
Allowance for loan losses	(86,931 )		(85,901 )		(91,515 )		(122,629 )		(91,515 )
Net loans	Rs. 2,921,254		Rs. 3,299,741		Rs. 3,873,418		Rs. 4,384,901		Rs. 3,873,418

(1) Includes home loans, automobile loans, commercial business loans, dealer financing and small ticket loans to small businesses, personal loans, credit cards, rural loans and loans against securities.

(2) Includes loans against foreign currency non-resident (bank) deposits of Rs. 91.8 billion at March 31, 2016.

(3) Primarily include developer financing portfolio, manufacturing products (excluding metal), automobiles, drugs and pharmaceuticals, textile and fast moving consumer goods.

Our gross loan portfolio increased by 13.1% from Rs. 4,507.5 billion at year-end fiscal 2015 to Rs. 5,097.9 billion at year-ended fiscal 2016. Retail finance increased from 43.4% of gross loans at year-end fiscal 2015 to 46.8% of gross loans at year-end fiscal 2016. The aggregate net increase in advances to power, roads, ports, telecom, urban development & other infrastructure, iron/steel & products, metal & products (excluding iron & steel) and mining sectors was primarily in the 'A- and above' category based on our internal ratings. The increase in advances to these sectors also included the impact of currency depreciation during fiscal 2016, on the rupee equivalent of foreign currency denominated advances made by our overseas branches.

At year-end fiscal 2016, our 20 largest borrowers accounted for approximately 10.8% of our gross loan portfolio, with the largest borrower accounting for approximately 1.2% of our gross loan portfolio. The largest group of companies under the same management control accounted for approximately 4.0% of our gross loan portfolio.

#### Geographic Diversity

Our portfolios are geographically diversified. The state of Maharashtra accounted for the largest proportion of our domestic gross loans outstanding at year-end fiscal 2016.

#### Directed Lending

The Reserve Bank of India requires banks to lend to certain sectors of the economy. Such directed lending comprises priority sector lending and export credit.

#### Priority Sector Lending

The Reserve Bank of India guidelines on priority sector lending require banks to lend 40.0% of their adjusted net bank credit, to fund certain types of activities carried out by specified borrowers. The definition of adjusted net bank credit includes bank credit in India adjusted by bills rediscounted with the Reserve Bank of India and other approved financial institutions and certain investments and is computed with reference to the outstanding amount at March 31 of

the previous year as prescribed by the Reserve Bank of India guidelines 'Master Circular - Priority Sector Lending - Targets and Classification'. Further, the Reserve Bank of India allowed loans extended in India against incremental foreign currency non-resident (bank)/non-resident external deposits from July 26, 2013 and outstanding at March 7, 2014 to be excluded from adjusted net bank credit. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding investments in Rural Infrastructure Development Fund and other specified funds at March 31 of the fiscal year to be classified as "indirect agriculture" and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would be included in the adjusted net bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. In fiscal 2015, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure and low-cost housing. The amount raised by way of these bonds is permitted to be excluded from the adjusted net bank credit for the purpose of computing priority sector lending targets.

The priority sectors include the agricultural sector, food and agri-based industries, small enterprises/businesses and housing finance up to certain limits. Out of the 40.0%, banks are required to lend a minimum of 18.0% of their adjusted net bank credit to the agriculture sector and the balance to certain specified sectors. Banks are also required to lend 10.0% of their adjusted net bank credit, to certain borrowers under the “weaker section” category.

In April 2015, the Reserve Bank of India issued revised guidelines on priority sector lending. Under the revised guidelines, the overall target for priority sector lending would continue to be 40% of the adjusted net bank credit; sub-targets for direct and indirect lending to agriculture were combined; and sub-targets of 8.0% for lending to small & marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets are to be achieved in a phased manner by March 2017. Sectors qualifying for priority sector lending have been broadened to include medium enterprises, social infrastructure and renewable energy. Priority sector lending achievement would be evaluated on a quarterly average basis from fiscal 2017 instead of only at the year-end. Further, in July 2015, the Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking system’s average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India has set a target of 11.57% of adjusted net bank credit for fiscal 2016. The Reserve Bank of India would notify the banks of the banking system’s average level at the beginning of each year. The Reserve Bank of India has also directed banks to maintain lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

ICICI Bank is required to comply with the priority sector lending requirements prescribed by the Reserve Bank of India from time to time. The shortfall in the amount required to be lent to the priority sectors and weaker sections may be required to be deposited in funds with government sponsored Indian development banks like the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India, the National Housing Bank, the MUDRA Limited and other financial institutions as decided by the Reserve Bank of India from time to time based on the allocations made by the Reserve Bank of India. These deposits have a maturity of up to seven years and carry interest rates lower than market rates. At year-end fiscal 2016, our total investment in such funds was Rs. 280.6 billion, which was fully eligible for consideration in overall priority sector achievement.

At year-end fiscal 2016, ICICI Bank’s priority sector lending was Rs. 1,311.9 billion, constituting about 40.8% of adjusted net bank credit against the requirement of 40.0% of adjusted net bank credit. At that date, the qualifying total agriculture loans were Rs. 545.8 billion, constituting about 17.0% of adjusted net bank credit against the requirement of 18.0% of adjusted net bank credit. ICICI Bank’s loans to weaker sections were Rs. 204.4 billion, constituting about 6.3% of adjusted net bank credit against the requirement of 10.0% of adjusted net bank credit. Out of the agriculture loans, lending to small and marginal farmers were Rs. 125.5 billion, constituting 3.9% of adjusted net bank credit against the requirement of 7.0% of adjusted net bank credit. Our lending to non-corporate farmers constituted 8.1% of adjusted net bank credit against the requirement of 11.57% of adjusted net bank credit. The lending to micro enterprises was Rs. 217.9 billion, constituting 6.8% of adjusted net bank credit against the requirement of 7.0% of adjusted net bank credit. See also “*Supervision and Regulation—Directed Lending—Priority Sector Lending*”.



Edgar Filing: ICICI BANK LTD - Form 20-F

The following table sets forth ICICI Bank's priority sector loans, classified by the type of borrower, at the last day of fiscal 2016.

	At March 31, 2016			
	Amount		% of total priority sector lending	% of adjusted net bank credit
	(in billion, except percentages)			
Agricultural sector <sup>(1)</sup>	Rs. 545.8	US\$8	41.6 %	17.0 %
Small enterprises	456.1	7	34.8	14.2
Others including eligible residential mortgage loans less than Rs. 2.5 million	310.0	5	23.6	9.6
Total	Rs. 1,311.9	US\$20	100.0%	40.8 %

Small enterprises include enterprises engaged in manufacturing/processing and whose investment in plant and (1) machinery does not exceed Rs. 50 million and enterprises engaged in providing/rendering of services and whose investment in equipment does not exceed Rs. 20 million.

## Export Credit

The Reserve Bank of India also requires banks to make loans to exporters at concessional interest rates, as part of directed lending. Export credit is provided for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. At least 12.0% of a bank's adjusted net bank credit is required to be in the form of export credit. This requirement is in addition to the priority sector lending requirement but credits extended to exporters that are small scale industries or small businesses may also meet part of the priority sector lending requirement. The Reserve Bank of India provides export refinancing to banks for an eligible portion of total outstanding export loans in rupees in line with the current Reserve Bank of India guidelines in India as amended from time to time. The interest income earned on export credits is supplemented through fees and commissions earned from these exporter customers from other fee-based products and services taken by them from us, such as foreign exchange products and bill handling. At March 31, 2016, ICICI Bank's export credit was Rs. 59.0 billion, which amounted to 1.7% of the Bank's adjusted net bank credit.

## Loan Pricing

As required by the Reserve Bank of India guidelines effective July 1, 2010, ICICI Bank priced its loans with reference to a base rate, called the ICICI Bank Base Rate till March 31, 2016. The Asset Liability Management Committee set the ICICI Bank Base Rate based on ICICI Bank's current cost of funds, likely changes in the Bank's cost of funds, market rates, interest rate outlook and other systemic factors. Pricing for new rupee floating rate proposals and renewal of rupee facilities till March 31, 2016 were linked to the ICICI Bank Base Rate and comprise the ICICI Bank Base Rate, transaction-specific spread and other charges. The Reserve Bank of India also stipulated that a bank's lending rates for rupee loans cannot be lower than its base rate, except for certain categories of loans as may be specified by the Reserve Bank of India from time to time. ICICI Bank has set its base rate at 9.35% per annum payable monthly, effective October 5, 2015 (ICICI Bank's base rate was 10.00% at March 31, 2015, which was reduced to 9.75% effective April 9, 2015 and to 9.70% effective June 26, 2015).

Based on the revised guidelines of the Reserve Bank of India, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are required to be priced with reference to a new internal benchmark to be called marginal cost of funds based lending rate. Banks are required to publish marginal cost of funds based lending rates for various tenures same as, overnight, one month, three months, six months and one year. Marginal cost of funds based lending rate includes marginal cost of funds, negative carry on cash reserve ratio, operations cost and tenure premium/discount for various tenures. The Asset Liability Management Committee sets the ICICI Bank marginal cost of funds based lending rates. As required by the guidelines, we publish the ICICI Bank marginal cost of funds based lending rates for various tenures on a monthly basis.

Pricing for floating rate approvals and renewal of rupee facilities are linked to the ICICI Bank marginal cost of funds based lending rate and comprise the ICICI Bank marginal cost of funds based lending rate and spread. The Reserve Bank of India has also stipulated that a bank's lending rates for rupee loans cannot be lower than its marginal cost of funds based lending rate, except for certain exemptions. As prescribed in the guidelines of the Reserve Bank of India,

existing borrowers will also have the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. All loans approved before April 1, 2016, and where the borrowers choose not to migrate to the marginal cost of funds based lending rate system, would continue to be based on the earlier benchmark rate regimes. ICICI Bank marginal cost of funds based lending rate at April 1, 2016 was between 9.0%-9.2%.

#### Classification of Loans

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India's guidelines except in the case of ICICI Home Finance Company and our overseas banking subsidiaries. ICICI Home Finance Company classifies its loans and other credit facilities as per the guidelines of its regulator, the National Housing Bank. Loans made by our overseas banking subsidiaries are classified as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and that loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. Under the Reserve Bank of India

guidelines, non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent amount is outstanding in the host country. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. See below “—*Restructured Loans*”.

The classification of assets in accordance with the Reserve Bank of India guidelines is detailed below.

- Standard assets: Assets that do not disclose any problems or which do not carry more than normal risk attached to the business are classified as standard assets.
- Sub-standard assets: Sub-standard assets comprise assets that are non-performing for a period not exceeding 12 months.
- Doubtful assets: Doubtful assets comprise assets that are non-performing for more than 12 months.
- Loss assets: Loss assets comprise assets the losses on which are identified or that are considered uncollectible.

There are separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. For infrastructure projects, a loan is classified as non-performing if it fails to commence commercial operations within two years from the documented date of commencement and for non-infrastructure projects, the loan is classified as non-performing if it fails to commence operations within 12 months from the documented date of such commencement. In April 2015, the Reserve Bank of India issued guidelines for revival of projects which have been delayed due to inadequacies of the existing project sponsors through a change in ownership of such projects. The guidelines permit banks to extend the date for commencement of commercial operations of such projects up to a further period of two years subsequent to a change in ownership of the borrowing entity being effected. This extension would be in addition to the extension of the period for completion of the projects as described above.

Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. In compliance with regulations governing the presentation of financial information by banks, we report only non-performing loans and advances in our financial statements.

See also “*Supervision and Regulation—Reserve Bank of India Regulations—Loan Loss Provisions and Non-Performing Assets—Asset Classification*”.

## Restructured Loans

The Reserve Bank of India has separate guidelines for restructured loans. Up to March 31, 2015, a fully secured standard loan (other than that classified as a commercial real estate exposure, a capital market exposure or a personal loan) could be restructured by the rescheduling of principal repayments and/or the interest element and continue to be classified as a standard loan. However, such a loan needed to be separately disclosed as a restructured loan.

From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within certain prescribed timelines. However, loans granted for implementation of projects in the infrastructure sector and the non-infrastructure sector that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India.

The diminution in the fair value of a restructured loan, if any, measured in present value terms, is either written off or a provision is made to the extent of the diminution involved. A restructured loan, which is classified as a standard restructured loan, is subject to higher standard asset provisioning and higher risk weight

for capital adequacy purposes than non-restructured standard loans up to the period specified in the guidelines. The specified period is a period of one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with the longest moratorium as per the restructuring package during which payment performance is monitored. The loan continues to be classified as restructured until it reverts to the normal level of standard asset provisions/risk weights for capital adequacy purposes, which is a period of one year after the end of the specified period. Banks are required to disclose the aggregate fund-based credit facilities of borrowers whose loans were restructured.

See also “*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Asset Classification*”.

As per the Reserve Bank of India guidelines issued in May 2013, general provisions on standard accounts restructured from June 1, 2013 have been increased to 5.0%. The general provision required on standard accounts restructured before June 1, 2013 has been increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and 5.0% from March 31, 2016.

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring. The guidelines provide for conversion of debt into equity which results in majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit). On transfer of ownership to a new management, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities extended by banks to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making provisions for any diminution in fair value of the existing debt. In February 2016, the Reserve Bank of India further revised its guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard upon divesting 26.0% of the shares of the company, which is lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters.

As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme for Sustainable Structuring of Stressed Assets. Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The sustainable debt level should not be less than 50.0% of current funded liabilities. The scheme will be applicable where the Joint Lenders’ Forum assesses the sustainable debt and concludes based on a techno-economic viability assessment that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable will be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures and may attract higher provisioning. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity.

See also “*Supervision and Regulation—Loan Loss Provisions and Non-Performing Assets—Restructured Loans*”.

During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and directed a number of Indian banks, including us, to make an additional provision of 10.0% in fiscal 2017 for certain restructured loan accounts. The total amount of such restructured loan accounts (gross) in our portfolio was approximately Rs. 35.8 billion at year-end fiscal 2016. See “*Operating and Financial Review and Prospects—Provisions and contingencies (excluding tax provisions)—Provisions for Non-performing Assets and Restructured Loans*”.

## Provisioning and Write-Offs

We make provisions in accordance with the Reserve Bank of India's guidelines. See also "*Supervision and Regulation—Reserve Bank of India Regulations—Loan Loss Provisions and Non-Performing Assets—Provisioning and Write-offs*". The Reserve Bank of India guidelines on provisioning are as described below.

- Standard assets: The allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except –
- farm credit to agricultural and the Small and Micro Enterprise sectors, which attract a provisioning requirement of 0.25%,
  - advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,
  - housing loans, where such loans are made at comparatively lower interest rates for the first years of the loan after which the rates are reset at higher rates, which attract a provisioning requirement of 2.0%.

In May 2013, the Reserve Bank of India increased the standard asset provisioning on restructured loans to 5.0% in the first two years from the date of restructuring. Loans restructured with a moratorium on payment of interest/principal attracted a standard asset provision of 5.0% for the period covering the moratorium and two years thereafter. Restructured accounts classified as non-performing advances when upgraded to the standard category carry a provision of 2.0% in the first year from the date of up-gradation. In November 2012, the Reserve Bank of India increased the standard asset provision on restructured loans from 2.00% to 2.75%.

Standard asset provisions on accounts restructured from June 1, 2013 have been increased to 5.0%. The standard asset provision required on accounts restructured before June 1, 2013 has been increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and would be further increased to 5.0% from March 31, 2016.

Under the guidelines issued by the Reserve Bank of India, additional provision of up to 0.80% is required to be made starting April 1, 2014, on amounts due from entities having unhedged foreign currency exposure. Further, accelerated provision of 5.0% is required on the outstanding amount for loans with principal or interest payment overdue between 61-90 days where there is a delay in forming Joint Lenders Forum or delay in finalizing Corrective Action Plan as per the extant guidelines of the Reserve Bank of India. A provision of 5.0% is also required in respect of standard loans to companies having director(s) whose name(s) appear more than once in the list of willful defaulters. See also "*Overview of the Indian Financial Sector - Legislative Framework for Recovery of Debts due to Banks - Joint Lenders' Forum*".



**Sub-standard assets:** A provision of 15.0% is required for all sub-standard assets. A provision of 25.0% is required for accounts that are unsecured. Unsecured infrastructure loan accounts classified as sub-standard require provisioning of 20.0%.

**Doubtful assets:** A 100.0% provision/write-off is required against the unsecured portion of a doubtful asset and is charged against income. With effect from fiscal 2012, for the secured portion of assets classified as doubtful, a 25.0% provision is required for assets that have been classified as doubtful for a year, a 40.0% provision is required for assets that have been classified as doubtful for one to three years and a 100.0% provision is required for assets classified as doubtful for more than three years. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third party appraisers.

**Loss assets:** The entire asset is required to be written off or provided for.

**Restructured loans:** The provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal.

The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. Provision on non-performing restructured loans is in addition to provisioning requirement on non-performing loans. For loans restructured up to July 1, 2015, both sets of cash flows are discounted at the Bank's Base Rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. For loans restructured after July 1, 2015, both sets of cash flows are discounted at a rate equal to the actual interest rate charged to the borrower before restructuring for the purpose of determining the diminution in fair value of the loan on restructuring. For accounts having multiple credit facilities with varying interest rates, a weighted average interest is used as the discounting rate.

### *Our Policy*

We provide for non-performing corporate loans in line with the Reserve Bank of India guidelines. ICICI Bank provides for non-performing consumer loans at the borrower levels in accordance with provisioning policy of ICICI Bank, subject to minimum provision requirements set by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are fully provided for or written off. The Bank holds specific provisions against non-performing loans, general provisions against performing loans and floating provision taken over from the erstwhile Bank of Rajasthan upon amalgamation.

For restructured loans, provisions are made in accordance with the restructuring guidelines issued by the Reserve Bank of India. The Bank's provisioning coverage ratio at year-end fiscal 2016 computed as per the Reserve Bank of India guidelines mentioned above was 50.6%.

The Reserve Bank of India guidelines does not specify the conditions under which assets may be written-off. The Bank has internal policies for writing-off non-performing loans against loan loss allowances. Consumer loans other than mortgage loans are generally charged off against allowances after pre-defined periods of delinquency. Other loans, including mortgage loans, are generally charged off against allowances when, based on a borrower-specific evaluation of the possibility of further recovery, the Bank concludes that the balance cannot be collected. The Bank evaluates whether a balance can be collected based on the realizable value of collateral, the results of the Bank's past recovery efforts, the possibility of recovery through legal recourse and the possibility of recovery through settlement.

### Impact of Economic Environment on Commercial and Consumer Loan Borrowers

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us.

In subsequent years, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector. Against this backdrop, our strategic focus was to maintain an optimal balance among profitability, risk management and growth across various businesses. During this period, we adopted a cautious approach to loan growth in the corporate segment while closely monitoring asset quality, and pursued growth in the retail portfolio.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets.

The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results. In addition, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans and provisions during the second half of fiscal 2016. Indian banks in general have become more cautious in their approach to corporate lending given the above developments. Further, large banks in the public sector have also moderated their loan growth substantially in view of their relatively lower levels of capital adequacy and losses in fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also “*Risk Factors—Risks Relating to Our Business—If the regulator continues to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”, “*Risk Factors—Risks Relating to Our Business—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*”, “*Business—Strategy*” and “*Operating and Financial Review and Prospects— Executive Summary—Business environment —Trends in fiscal 2016*”.

Various factors, including a rise in unemployment, prolonged recessionary conditions, decline in household savings and income levels, our regulators’ assessment and review of our loan portfolio, a sharp and sustained rise in interest rates, developments in the global and Indian economy, movements in global commodity markets and exchange rates and global competition could cause a further increase in the level of non-performing assets on account of retail and other loans and have a material adverse impact on the quality of our loan portfolio. See also “*Risk Factors—Risks Relating to Our Business—If we are unable to adequately control the level of non-performing loans in our portfolio, our business will suffer*” and “*Business—Strategy*”.

#### Non-Performing Assets

The following table sets forth, at the dates indicated, our gross non-performing rupee and foreign currency customer asset portfolio by business category.

	At March 31,					
	2012	2013	2014	2015	2016	
	Amount	Amount	Amount	Amount	Amount	Amount
	(in millions, except percentages)					
<b>Consumer loans &amp; credit card receivables<sup>(1)</sup></b>	Rs.67,356	Rs.49,156	Rs.32,968	Rs.25,504	Rs.26,757	US\$404

Edgar Filing: ICICI BANK LTD - Form 20-F

Rupee	66,915	48,891	32,701	25,504	26,756	404
Foreign currency	441	265	267	–	1	–
<b>Commercial<sup>(2)</sup></b>	39,673	57,914	89,929	148,296	266,389	4,021
Rupee	27,616	42,939	61,481	99,288	155,482	2,347
Foreign currency	12,057	14,975	28,448	49,008	110,907	1,674
Leasing and related activities	95	95	97	70	70	1
Rupee	95	95	97	70	70	1
Foreign currency	–	–	–	–	–	–
<b>Total</b>						
non-performing assets	107,124	107,165	122,994	173,870	293,216	4,426
Rupee	94,626	91,925	94,279	124,862	182,308	2,752
Foreign currency	12,498	15,240	28,715	49,008	110,908	1,674
<b>Gross non-performing assets<sup>(3),(4)</sup></b>	107,124	107,165	122,994	173,870	293,216	4,426
Provision for loan losses	(79,875 )	(78,016 )	(78,366 )	(96,655 )	(145,431 )	(2,195 )
Net non-performing assets	Rs. 27,249	Rs. 29,149	Rs. 44,628	Rs. 77,215	Rs. 147,785	US\$ 2,231
Gross customer assets <sup>(3)</sup>	Rs. 3,531,625	Rs. 4,001,517	Rs. 4,615,808	Rs. 5,149,278	Rs. 5,718,339	US\$ 86,315
Net customer assets	Rs. 3,443,817	Rs. 3,914,869	Rs. 4,523,471	Rs. 5,026,019	Rs. 5,556,942	US\$ 83,878
Gross non-performing assets as a percentage of gross customer assets	3.0	% 2.7	% 2.7	% 3.4	% 5.1	%
Net non-performing assets as a percentage of net customer assets	0.8	% 0.7	% 1.0	% 1.5	% 2.7	%

(1) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit card receivables, jewel loans, farm equipment loans and other rural loan products.

(2) Includes working capital finance.

(3) Includes loans of ICICI Bank and its subsidiaries and credit substitutes of ICICI Bank.

(4) Includes loans identified as impaired in line with the guidelines issued by regulators of the respective subsidiaries.

The following table sets forth, for the periods indicated, the change in our gross non-performing asset portfolio.<sup>(1)</sup>

Particulars	2012 (in millions)	2013	2014	2015	2016	2016
<b>A. Consumer loans &amp; credit card receivables<sup>(2),(3)</sup></b>						
Non-performing assets at the beginning of the fiscal year	Rs. 71,778	Rs. 67,356	Rs. 49,156	Rs. 32,968	Rs. 25,504	US\$ 385
Addition: New non-performing assets during the year	18,604	9,927	12,759	13,030	16,979	256
Less:						
Upgrade <sup>(4)</sup>	(4,927 )	(3,995 )	(3,314 )	(4,425 )	(6,323 )	(95 )
Recoveries (excluding recoveries made from upgraded accounts)	(11,461 )	(8,793 )	(6,049 )	(7,505 )	(6,626 )	(100 )
Write-offs	(6,638 )	(15,339 )	(19,584 )	(8,564 )	(2,777 )	(42 )
Non-performing assets at the end of the fiscal year	Rs. 67,356	Rs. 49,156	Rs. 32,968	Rs. 25,504	Rs. 26,757	US\$ 404
<b>B. Commercial<sup>(5)</sup></b>						
Non-performing assets at the beginning of the fiscal year	Rs. 39,641	Rs. 39,673	Rs. 57,914	Rs. 89,929	Rs. 148,296	US\$ 2,238
Addition: New non-performing assets during the year	17,183	28,992	40,839	77,915	161,423	2,437
Less:						
Upgrade <sup>(4)</sup>	(3,485 )	(4,083 )	(1,055 )	(1,500 )	(5,181 )	(78 )
Recoveries (excluding recoveries made from upgraded accounts)	(7,995 )	(3,947 )	(5,200 )	(7,434 )	(8,727 )	(132 )
Write-offs	(5,671 )	(2,721 )	(2,569 )	(10,614 )	(29,422 )	(444 )
Non-performing assets at the end of the fiscal year	Rs. 39,673	Rs. 57,914	Rs. 89,929	Rs. 148,296	Rs. 266,389	US\$ 4,021
<b>C. Leasing and related activities</b>						
Non-performing assets at the beginning of the fiscal year	Rs. 156	Rs. 95	Rs. 95	Rs. 97	Rs. 70	US\$ 1
Addition: New non-performing assets during the year	—	—	2	—	—	—
Less:						
Upgrade <sup>(4)</sup>	—	—	—	—	—	—
Recoveries (excluding recoveries made from upgraded accounts)	(61 )	—	—	(27 )	—	—
Write-offs	—	—	—	—	—	—
Non-performing assets at the end of the fiscal year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US\$ 1
<b>D. Total non-performing assets (A+B+C)</b>						
Non-performing assets at the beginning of the fiscal year	Rs. 111,575	Rs. 107,124	Rs. 107,165	Rs. 122,994	Rs. 173,870	US\$ 2,624
Addition: New non-performing assets during the year	35,787	38,919	53,600	90,945	178,402	2,693
Less:						

Edgar Filing: ICICI BANK LTD - Form 20-F

Upgrade <sup>(4)</sup>	(8,412 )	(8,078 )	(4,369 )	(5,925 )	(11,504 )	(173 )
Recoveries (excluding recoveries made from upgraded accounts)	(19,517 )	(12,740 )	(11,249 )	(14,966 )	(15,353 )	(232 )
Write-offs	(12,309 )	(18,060 )	(22,153 )	(19,178 )	(32,199 )	(486 )
<b>Non-performing assets at the end of the fiscal year<sup>(5)</sup></b>	Rs. 107,124	Rs. 107,165	Rs. 122,994	Rs. 173,870	Rs. 293,216	US\$4,426

(1) Includes loans identified as impaired in accordance with guidelines issued by regulators of the respective subsidiaries.

(2) Up to 2014, for “Credit card receivables”, the difference between the opening and closing balances of non-performing assets is included in additions to gross non-performing assets on a net basis, except with respect to accounts written-off during the year, which were included in the “Write-offs” row.

(3) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit card receivables, jewel loans, farm equipment loans and other rural loan products.

(4) Represents accounts that were previously classified as non-performing but have been upgraded to performing.

(5) Includes working capital finance.

Edgar Filing: ICICI BANK LTD - Form 20-F

The following table sets forth, at the dates indicated, gross non-performing assets by borrowers' industry or economic activity and as a percentage of total non-performing assets.

	At March 31, 2012		2013		2014		2015		2016	
	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets	Amount	As a percentage of non-performing assets
	(in millions, except percentages)									
Retail finance <sup>(1)</sup>	Rs.78,790	73.6 %	Rs.59,786	55.8 %	Rs.42,793	34.8 %	Rs.35,199	20.2 %	Rs.39,669	
Services—non finance	398	0.4	9,144	8.5	15,598	12.7	25,890	14.9	36,408	
Roads, ports, telecom, urban development & other infrastructure	146	0.1	142	0.1	9,922	8.1	22,781	13.1	30,904	
Shipping	448	0.4	376	0.4	674	0.5	15,000	8.6	19,595	
Iron/steel and products	913	0.9	1,993	1.9	3,795	3.1	9,871	5.7	65,175	
Electronics and engineering	1,805	1.7	3,025	2.8	3,406	2.8	8,775	5.0	3,796	
Construction	893	0.8	2,237	2.1	3,188	2.6	8,686	5.0	23,679	
Textile	1,527	1.4	2,646	2.5	5,078	4.1	7,204	4.1	12,059	
Food and beverages	4,045	3.8	4,595	4.3	7,097	5.8	6,102	3.5	6,771	
Gems & jewelry	2,904	2.7	3,008	2.8	4,081	3.3	5,311	3.1	8,205	
Wholesale/retail trade	1,152	1.1	4,165	3.9	4,064	3.3	4,840	2.8	5,896	
Crude petroleum/refining and petrochemicals	2,819	2.6	2,467	2.3	2,637	2.1	2,750	1.6	2,914	
Chemicals & fertilizers	1,515	1.4	1,772	1.7	1,737	1.4	1,791	1.0	2,053	
Metal & products (excluding iron & steel)	1,366	1.3	1,336	1.2	1,350	1.1	1,719	1.0	2,102	
Mining	611	0.6	804	0.8	900	0.7	1,629	0.9	779	
Power	92	0.1	91	0.1	654	0.5	667	0.4	17,512	
Services—finance	1,265	1.2	1	—	569	0.5	558	0.3	523	
Cement	—	—	—	—	300	0.2	300	0.2	—	
Other Industries <sup>(2)</sup>	6,435	6.0	9,577	8.9	15,151	12.3	14,797	8.6	15,176	
Gross non-performing	Rs.107,124	100.0%	Rs.107,165	100.0%	Rs.122,994	100.0%	Rs.173,870	100.0%	Rs.293,216	



assets

Aggregate

provision for loan	(79,875 )	(78,016 )	(78,366 )	(96,655 )	(145,431 )
--------------------	-----------	-----------	-----------	-----------	------------

losses

Net

non-performing	Rs. 27,249	Rs. 29,149	Rs. 44,628	Rs. 77,215	Rs. 147,785
----------------	------------	------------	------------	------------	-------------

assets

- (1) Includes home loans, commercial business loans, rural loans, automobile loans, business banking, credit cards, personal loans, loans against securities and dealer financing portfolio.
- (2) Other industries primarily include developer financing portfolio, automobiles, manufacturing products (excluding metal), drugs and pharmaceuticals and FMCG.
- (3) From March 31, 2013, we have changed the classification of the domestic loan portfolio to better reflect the nature of the underlying loans. Accordingly, our loan portfolio for earlier years presented is also reclassified.

See “*Business – Classification of Loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*”. See also “*Operating and Financial Review and Prospects—Executive Summary-Business environment-Trends in fiscal 2016*”.

The gross additions to non-performing assets including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms increased from Rs.

90.9 billion during fiscal 2015 to Rs. 178.4 billion during fiscal 2016. In fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. Non-performing assets amounting to Rs. 26.9 billion were upgraded/recovered in fiscal 2016 as compared to Rs. 20.9 billion in fiscal 2015. Non-performing assets amounting to Rs. 32.2 billion were written-off in fiscal 2016 as compared to Rs. 19.2 billion in fiscal 2015. Our gross non-performing assets increased by 68.6% from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Our net non-performing assets increased by 91.4% from Rs. 77.2 billion at year-end fiscal 2015 to Rs. 147.8 billion at year-end fiscal 2016. The net non-performing asset ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016.

Gross additions to non-performing commercial loans including classification of restructured loans as non-performing due to failure of the borrowers to perform as per restructured debt terms, increased from Rs. 40.8 billion in fiscal 2014 to Rs. 77.9 billion in fiscal 2015 and further to Rs. 161.4 billion in fiscal 2016. In fiscal 2016, restructured standard commercial loans amounting to Rs. 53.0 billion were classified as non-performing due to the failure of the borrowers to perform as per the restructured debt terms, as compared to Rs. 45.1 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing commercial loans amounting to Rs. 5.2 billion and made recoveries of non-performing commercial loans amounting to Rs. 8.7 billion. During fiscal 2016, based on the borrower-specific evaluation of the possibility of further recovery, commercial loans amounting to Rs. 29.4 billion were written-off. See – “Business – Classification of Loans – Provisioning and write-Offs – Our policy”. Gross non-performing commercial loans increased from Rs. 148.3 billion at year-end fiscal 2015 to Rs. 266.4 billion at year-end fiscal 2016. During fiscal 2016, the corporate sector continued to experience challenges due to lower than anticipated cash flow generation and high leverage. Additionally, during the year, the significant decline in commodity prices adversely impacted commodity-based sectors such as iron & steel. The power sector continued to experience challenges with respect to project completion, capacity utilization and leverage. Further, subdued capital investments in the economy impacted sectors such as construction and iron & steel. During fiscal 2016, there was an increase in gross non-performing assets in the iron & steel and products sector by Rs. 55.3 billion, power sector by Rs. 16.8 billion and construction sector by Rs. 15.0 billion.

Gross additions to non-performing consumer loans were Rs. 17.0 billion in fiscal 2016 as compared to Rs. 13.0 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing consumer loans of Rs. 6.3 billion as compared to Rs. 4.4 billion in fiscal 2015. During fiscal 2016, we made recoveries against non-performing consumer loans of Rs. 6.6 billion and written-off loans of Rs. 2.8 billion. Gross non-performing consumer loans increased from Rs. 25.5 billion at year-end fiscal 2015 to Rs. 26.8 billion at year-end fiscal 2016.

Further, at year-end fiscal 2016, ICICI Bank’s outstanding non-fund based facilities to borrowers whose loans were classified as non-performing were Rs. 28.2 billion.

## **Restructured Loans**

The following table sets forth, at the dates indicated, our gross standard restructured rupee and foreign currency loan portfolio by business category.

Edgar Filing: ICICI BANK LTD - Form 20-F

	At March 31,										
	2012		2013		2014		2015		2016		Amount
	(in millions, except percentages)										
Consumer loans & credit card receivables	Rs. 164		Rs. 388		Rs. 297		Rs. 221		Rs. 94		US\$ 1
Rupee	13		152		185		221		94		1
Foreign currency	151		236		112		-		-		-
<b>Commercial<sup>(1)</sup></b>	52,553		66,919		133,151		130,566		98,580		1,488
Rupee	40,319		47,314		83,258		86,694		73,972		1,117
Foreign currency	12,234		19,605		49,893		43,872		24,608		371
Total restructured loans	52,717		67,307		133,448		130,787		98,674		1,489
Rupee	40,333		47,466		83,443		86,915		74,067		1,118
Foreign currency	12,385		19,841		50,005		43,872		24,608		371
Gross restructured loans <sup>(2)</sup>	52,717		67,307		133,448		130,787		98,674		1,489
Provision for loan losses	(4,642 )		(5,294 )		(11,235 )		(9,458 )		(7,581 )		(114 )
Net restructured loans	Rs. 48,075		Rs. 62,013		Rs. 122,213		Rs. 121,329		Rs. 91,093		US\$ 1,375
Gross customer assets <sup>(2)</sup>	Rs. 3,531,625		Rs. 4,001,517		Rs. 4,615,808		Rs. 5,149,278		Rs. 5,718,339		US\$ 86,315
Net customer assets	Rs. 3,443,817		Rs. 3,914,869		Rs. 4,523,471		Rs. 5,026,019		Rs. 5,556,942		US\$ 83,878
Gross restructured loans as a percentage of gross customer assets	1.5	%	1.7	%	2.9	%	2.5	%	1.7	%	
Net restructured loans as a percentage of net customer assets	1.4	%	1.6	%	2.7	%	2.4	%	1.6	%	

(1) Includes working capital finance.

(2) Includes loans of ICICI Bank and its subsidiaries and credit substitutes of ICICI Bank.

Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a (3) borrower where any of the loan facilities have been restructured. Accordingly, numbers for earlier years presented have also been re-classified.

The following table sets forth, at the dates indicated, gross restructured loans by borrowers' industry or economic activity and as a percentage of total gross restructured loans.

Edgar Filing: ICICI BANK LTD - Form 20-F

	At March 31, 2012		2013		2014		2015		2016	
	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans	Amount	As a percentage of restructured loans
	(in millions, except percentages)									
Construction Roads, port, telecom, urban development & other infrastructure	Rs. –	–	% Rs.5,453	8.1	% Rs. 19,168	14.4%	Rs. 34,718	26.5%	Rs. 34,470	
Power	6,695	12.7	16,282	24.2	24,214	18.1	13,580	10.4	15,090	
Drugs and pharmaceuticals	2,648	5.0	3,828	5.7	7,879	5.9	13,378	10.2	2,080	
Services-non finance	7,200	13.7	6,993	10.4	12,574	9.4	12,364	9.5	4,708	
Iron/steel & products	10,891	20.7	8,632	12.8	15,930	11.9	10,515	8.0	2,747	
Electronics & engineering	2,268	4.3	1,913	2.8	11,072	8.3	9,006	6.9	9,517	
Chemicals & fertilizers	457	0.9	3,642	5.4	6,364	4.8	8,351	6.4	7,735	
Services-finance	5,676	10.8	6,261	9.3	7,196	5.4	7,737	5.9	634	
Mining	6,137	11.6	5,595	8.3	4,967	3.7	5,054	3.9	2,239	
Shipping	–	–	–	–	–	–	3,502	2.7	3,936	
Textiles	500	1.0	881	1.3	9,688	7.3	2,270	1.7	3,033	
Food & beverages	1,432	2.7	1,510	2.2	4,435	3.3	1,845	1.4	196	
Wholesale/retail trade	2,069	3.9	720	1.1	1,898	1.4	1,494	1.1	2,519	
Metal & products (excluding iron & steel)	2,177	4.1	1,588	2.4	1,716	1.3	1,269	1.0	–	
Retail finance	–	–	–	–	217	0.2	251	0.2	–	
Manufacturing products (excluding metals)	164	0.3	388	0.6	297	0.2	221	0.2	94	
Cement	2,608	5.0	3,004	4.5	76	0.1	202	0.2	235	
Automobile (including trucks)	341	0.6	320	0.5	–	–	–	–	–	
Crude petroleum/ refining & petrochemicals	19	–	–	–	–	–	–	–	–	
Others	–	–	–	–	–	–	–	–	8,114	
Gross restructured loans	Rs. 52,717	100.0%	Rs.67,307	100.0%	Rs. 133,448	100 %	Rs. 130,787	100 %	Rs. 98,674	

Aggregate provision for loan losses	(4,642 )	(5,294 )	(11,235 )	(9,458 )	(7,581 )
Net restructured loans	Rs. <b>48,075</b>	Rs. <b>62,013</b>	Rs. <b>122,213</b>	Rs. <b>121,329</b>	Rs. <b>91,093</b>

(1)

Others primarily include real estate-

During fiscal 2016, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 33.0 billion, as compared to Rs. 50.2 billion during fiscal 2015. Further, during fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 45.1 billion during fiscal 2015. Restructured loans amounting to Rs. 12.1 billion were repaid in fiscal 2016 as compared to Rs. 5.6 billion in fiscal 2015. The gross outstanding standard restructured loans decreased by 24.6% from Rs. 130.8 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 and the net outstanding restructured loans decreased by 24.9% from Rs. 121.3 billion at year-end fiscal 2015 to Rs. 91.1 billion at year-end fiscal 2016. Further, at year-end fiscal 2016, ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 44.0 billion.

Outstanding amount of standard restructured loans in the power sector decreased by Rs. 11.3 billion, services -non finance sector by Rs. 7.8 billion, drugs and pharmaceuticals sector by Rs. 7.7 billion, others sector by Rs. 3.7 billion and services – finance sector by Rs. 2.8 billion. This decrease was primarily due to classification of standard restructured loans into the non-performing category due to failure of the borrowers to perform as per restructured debt terms.

In fiscal 2016, we sold seven commercial loans with aggregate book value (net of provision) of Rs. 6.7 billion to an asset reconstruction company. In fiscal 2015, we sold 14 commercial loans with aggregate book value (net of provision) of Rs. 3.3 billion to an asset reconstruction company. See also “—*Classification of Loans—Non-Performing Asset Strategy*”.

The net standard restructured loans, as a percentage, decreased from 2.4% at year-end fiscal 2015 to 1.6% at year-end fiscal 2016. At year-end fiscal 2016, the outstanding provision for diminution in fair value of restructured loans (including the provision for funded interest) decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016. See also “*Risk Factors—Risks Relating to Our Business—The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could affect our business*”. See also “*Operating and Financial Review and Prospects—Provisions for Restructured Loans and Non-performing Assets*”.

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 87.2 billion, or 26.8%, from Rs. 304.7 billion at year-end fiscal 2015 to Rs. 391.9 billion at year-end fiscal 2016. The aggregate net non-performing assets and net restructured loans increased by Rs. 40.4 billion, or 20.4%, from Rs. 198.5 billion at year-end fiscal 2015 to Rs. 238.9 billion at year-end fiscal 2016.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring, for conversion of debt into equity, which results in majority ownership of the borrower by banks. At year-end fiscal 2016, we had implemented strategic debt restructuring in respect of loans aggregating Rs. 29.3 billion, including loans amounting to Rs. 25.6 billion classified as non-performing or standard restructured. Further, in fiscal 2015, the Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans to infrastructure and other core industries at

periodic intervals without such refinancing being considered as restructuring. The outstanding portfolio of loans for which this refinancing scheme had been implemented was Rs. 42.4 billion at year-end fiscal 2016. These are classified as standard loans. See also “*Supervision and Regulation—Regulations Relating to Advancing Loans*”.

#### Non-Performing Asset Strategy

In respect of unviable non-performing assets, where companies have lost financial viability, we adopt an aggressive approach aimed at out-of-court settlements, enforcing collateral and driving consolidation. Our focus is on time value of recovery and a pragmatic approach towards settlements. The collateral against our loan assets is the critical factor towards the success of our recovery efforts. In addition, we focus on proactive management of accounts under supervision. Our strategy constitutes a proactive approach towards identification, aimed at early stage solutions to incipient problems.

Our strategy for resolution of non-performing assets includes sales of financial assets to asset reconstruction companies in exchange for receipt of securities in the form of pass-through instruments issued by asset



reconstruction companies, wherein payments to holders of the securities are based on the actual realized cash flows from the transferred assets. Under Indian GAAP, these instruments are valued at the net asset values as declared by the asset reconstruction companies in accordance with the Reserve Bank of India guidelines. Under U.S. GAAP, the assets we sell in exchange for security receipts are not accounted for as sales either because transfers do not qualify for sale accounting under FASB ASC Topic 860, “Transfers and servicing”, or transfers were impacted by FASB ASC Subtopic 810-10, “Consolidation – overall”, whereby, because the Bank is the ‘primary beneficiary’ of certain of these funds/trusts, it is required under U.S. GAAP to consolidate these entities. These assets are considered restructured assets under U.S. GAAP. See also “*Supervision and Regulation—Reserve Bank of India Regulations—Regulations relating to Sale of Assets to Asset Reconstruction Companies*”. We sold net non-performing assets to asset reconstruction companies amounting to Rs. 0.04 billion in fiscal 2012, Rs. 0.1 billion in fiscal 2013, Rs. 1.5 billion in fiscal 2014, Rs. 3.3 billion in fiscal 2015 and Rs. 6.7 billion in fiscal 2016. At year-end fiscal 2016, we had an outstanding net investment of Rs. 7.9 billion in security receipts issued by asset reconstruction companies in relation to sales of our non-performing assets. We are also permitted to sell financial assets, classified as standard assets that are overdue for more than 60 days to asset reconstruction companies in terms of the Reserve Bank of India guidelines. We sold financial assets classified as standard amounting to Rs. 3.2 billion in fiscal 2016 and Rs. 2.5 billion in fiscal 2015.

The Reserve Bank of India guidelines on Revitalising Distressed Assets in February 2014 permitted banks to explore change in management of borrowers who are unable to achieve critical viability milestones stipulated as part of a restructuring of their loans. In June 2015, the Reserve Bank of India issued guidelines which provide banks with enhanced capabilities to initiate change of ownership in accounts borrower companies that are not able to come out of stress due to operational/ managerial inefficiencies despite substantial sacrifices made by the lending banks. In such situations, the guidelines permit banks to undertake at their discretion, a ‘Strategic Debt Restructuring’ and collectively become majority shareholders by converting their loan dues to equity shares of the borrower companies. Banks enjoy regulatory forbearance in terms of asset classification and provisioning while effecting change in ownership under Strategic Debt Restructuring.

In June 2016, the Reserve Bank of India has introduced the Scheme for Sustainable Structuring of Stressed Assets and issued guidelines which seek to strengthen banks’ ability to undertake resolution of large borrower accounts that are facing financial difficulties on account of delays in completing large projects. The scheme aims at enabling lenders to initiate deep financial restructuring, subject to fulfillment of certain conditions, for sustainable revival of projects.

We monitor migration of the credit ratings of our borrowers to enable us to take proactive remedial measures to prevent loans from becoming non-performing. We review the industry outlook and analyze the impact of changes in the regulatory and fiscal environment. Our periodic review system helps us to monitor the health of accounts and to take prompt remedial measures. We generally stipulate that corporate loans should be collateralized at the date of the loan’s origination. However, recoveries may be subject to delays of up to several years, due to the long legal process in India. This leads to delay in enforcement and realization of collateral. We may also take as security a pledge of financial assets, including marketable securities, and obtain corporate guarantees and personal guarantees wherever appropriate. In certain cases, the terms of financing include covenants relating to sponsors’ shareholding in the borrower and restrictions on the sponsors’ ability to sell all or part of their shareholding. Covenants involving equity shares have top-up mechanism based on price triggers. We maintain the non-performing assets on our books for as long as the enforcement process is ongoing. Accordingly, a non-performing asset may continue for a long time in our portfolio until the settlement of loan account or realization of collateral, which may be longer than that for U.S. banks

under similar circumstances. See also “—*Loan portfolio—Collateral—Completion, Perfection and Enforcement*”.

Secured loans to retail customers are secured by first and exclusive liens on the assets financed (predominantly property and vehicles). We are entitled in terms of our security documents to repossess security comprising assets such as plant, equipment and vehicles without reference to the courts or tribunals unless a client makes a reference to such courts or tribunals to stay our actions. In respect of our retail loans, we adopt a standardized collection process to ensure prompt action for follow-up on overdue loans and recovery of defaulted amounts.

#### Provision for Loan Losses

The following table sets forth, at the periods indicated, the change in the provisions for our non-performing asset portfolio.<sup>(1)</sup>

	At March 31,					
	2012	2013	2014	2015	2016	2016
	(in millions)					
<b>A. Consumer loans &amp; credit card receivables</b> <sup>(2),(3)</sup>						
Aggregate provision for loan losses at the beginning of the year	Rs. 56,507	Rs. 56,928	Rs. 42,642	Rs. 25,587	Rs. 16,752	US\$ 253
Add: Provision made during the year	13,839	7,630	7,015	4,580	6,097	92
Less: Provision utilized for write-off	(6,638 )	(15,339)	(19,584)	(8,609 )	(2,778 )	(42 )
Less: Write-back of excess provision	(6,780 )	(6,577 )	(4,486 )	(4,806 )	(4,019 )	(61 )
Aggregate provision for loan losses at the end of the year	Rs. 56,928	Rs. 42,642	Rs. 25,587	Rs. 16,752	Rs. 16,052	US\$ 242
<b>B. Commercial</b> <sup>(4)</sup>						
Aggregate provision for loan losses at the beginning of the year	Rs. 22,838	Rs. 22,852	Rs. 35,279	Rs. 52,682	Rs. 79,833	US\$ 1,205
Add: Provision made during the year	8,548	16,658	21,977	38,278	81,046	1,223
Less: Provision utilized for write-off	(4,930 )	(1,996 )	(2,454 )	(9,107 )	(26,866 )	(405 )
Less: Write-back of excess provision	(3,604 )	(2,235 )	(2,120 )	(2,020 )	(4,704 )	(71 )
Aggregate provision for loan losses at the end of the year	Rs. 22,852	Rs. 35,279	Rs. 52,682	Rs. 79,833	Rs. 129,309	US\$ 1,952
<b>C. Leasing and related activities</b>						
Aggregate provision for loan losses at the beginning of the year	Rs. 156	Rs. 95	Rs. 95	Rs. 97	Rs. 70	US\$ 1
Add: Provision made during the year	–	–	2	–	–	–
Less: Provision utilized for write-off	–	–	–	–	–	–
Less: Write-back of excess provision	(61 )	–	–	(27 )	–	–
Aggregate provision for loan losses at the end of the year	Rs. 95	Rs. 95	Rs. 97	Rs. 70	Rs. 70	US\$ 1
<b>D. Total provision (A+B+C)</b>						
Aggregate provision for loan losses at the beginning of the year	Rs. 79,501	Rs. 79,875	Rs. 78,016	Rs. 78,366	Rs. 96,655	US\$ 1,459
Add: Provision made during the year	22,387	24,288	28,994	42,858	87,143	1,315
Less: Provision utilized for write-off	(11,568)	(17,335)	(22,038)	(17,716)	(29,644 )	(447 )
Less: Write-back of excess provision	(10,445)	(8,812 )	(6,606 )	(6,853 )	(8,723 )	(132 )
Aggregate provision for loan losses at the end of the year	Rs. 79,875	Rs. 78,016	Rs. 78,366	Rs. 96,655	Rs. 145,431	US\$ 2,195

(1) Includes loans identified as impaired in line with the guidelines issued by regulators of the respective subsidiaries.

Up to 2014, for “Credit card receivables”, the difference between the opening and closing balances of aggregate (2) provision for loan losses is included in “Add: Provision made during the year” on a net basis, except with respect to accounts written-off during the year, which were included in the “Less: Provision utilized for write-off” row.

(3) Includes home loans, automobile loans, commercial business loans, two-wheeler loans, personal loans, credit card receivables and farm equipment loans.

(4)

Includes working capital finance.



Provision for non-performing assets, net of write-back of excess provisions, increased from Rs. 22.4 billion in fiscal 2014 to Rs. 36.0 billion in fiscal 2015 and further to Rs. 78.4 billion in fiscal 2016.

As discussed in “— Classification of Loans—Restructured Loans” and “—Non-Performing Assets”, there has been an increase in additions to non-performing loans across industry sectors in fiscal 2015 and 2016. This has resulted in higher provisions in fiscal 2015 and fiscal 2016. The provisions, net of write-back of excess provisions increased from Rs. 36.0 billion in fiscal 2015 to Rs. 78.4 billion in fiscal 2016, primarily due to higher provision on commercial loans.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank’s exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these sectors.

#### Potential problem loans

When management has doubts as to a borrower’s ability to comply with loans’ repayment terms, the Bank considers these loans as potential problem loans. At March 31, 2016, the Bank had Rs. 417.7 billion in potential problem loans, which were not classified as non-performing or restructured assets. Potential problem loans at March 31, 2016 primarily included below investment grade loans to power, mining, iron & steel, cement and rigs and certain promoter entities where the underlying is partly linked to these sectors. There are uncertainties in respect of these sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. We closely monitor these loans and the borrowers of these loans for compliance with the loan repayment terms. We also similarly monitor past-due loans and below-investment grade loans, as discussed in Schedule 18B of the consolidated financial statements.

#### Subsidiaries, Associates and Joint Ventures

The following table sets forth certain information relating to our subsidiaries and joint ventures at year-end fiscal 2016.



Edgar Filing: ICICI BANK LTD - Form 20-F

Name	Year of formation	Activity	Ownership interest	Total income <sup>(1)</sup> (in millions, except percentages)	Net worth <sup>(2)</sup>	Total assets <sup>(3)</sup>
ICICI Venture Funds Management Company Limited	January 1988	Private equity/ venture capital fund management	100.00 %	Rs. 699	Rs. 1,976	Rs. 4,208
ICICI Securities Primary Dealership Limited	February 1993	Securities investment, trading and underwriting	100.00 %	13,619	8,669	161,734
ICICI Prudential Asset Management Company Limited	June 1993	Asset management company for ICICI Prudential Mutual Fund	51.00 %	10,124	6,373	8,181
ICICI Prudential Trust Limited	June 1993	Trustee company for ICICI Prudential Mutual Fund	50.80 %	6	13	13
ICICI Securities Limited	March 1995	Securities broking & merchant banking	100.00 %	11,236	3,942	13,920
ICICI International Limited	January 1996	Asset management	100.00 %	15	94	96
ICICI Trusteeship Services Limited	April 1999	Trusteeship services	100.00 %	1	5	5
ICICI Home Finance Company Limited	May 1999	Housing finance	100.00 %	10,714	15,292	93,884
ICICI Investment Management Company Limited	March 2000	Asset management	100.00 %	34	116	130
ICICI Securities Holdings Inc.	June 2000	Holding company	100.00 %	0.1	128	128
ICICI Securities Inc.	June 2000	Securities broking	100.00 %	170	129	202
ICICI Prudential Life Insurance Company Limited	July 2000	Life insurance	67.66 %	209,932	53,248	1,047,662
ICICI Lombard General Insurance Company Limited	October 2000	General insurance	63.82 %	102,158	34,847 <sup>(4)</sup>	156,758
ICICI Bank UK PLC	February 2003	Banking	100.00 %	11,075	36,144	304,989
ICICI Bank Canada	September 2003	Banking	100.00 %	10,090	40,113	333,454
ICICI Prudential Pension Fund Management Company Limited <sup>(5)</sup>	April 2009	Pension fund management	100.00 %	Rs. 24	Rs. 256	Rs. 263

(1) Total income represents gross income from operations and other income.

(2) Net worth represents share capital, share application money and reserves and surplus.

(3)

Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances).

(4) Includes share capital, share application money-pending allotment, securities premium and fair value reserve.

(5) ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.

The following table sets forth certain information on other significant entities whose results were included in the consolidated financial statements under Indian GAAP at year-end fiscal 2016.



Edgar Filing: ICICI BANK LTD - Form 20-F

Name	Year of formation	Activity	Ownership interest	Total income <sup>(1)</sup> (in millions, except percentages)	Net worth <sup>(2)</sup>	Total assets <sup>(3)</sup>
ICICI Strategic Investments Fund <sup>(4)</sup>	February 2003	Unregistered venture capital fund	100.00 %	(52 )	482	523
I-Process Services (India) Private Limited <sup>(5)</sup>	April 2005	Services related to back end operations	19.00 %	2,916	(57 )	426
FINO PayTech Limited <sup>(5)</sup>	June 2006	Support services for financial inclusion	27.05 %	1,893	2,834	4,378
NIIT Institute of Finance, Banking and Insurance Training Limited <sup>(5)</sup>	June 2006	Education and training in banking and finance	18.79 %	223	67	95
ICICI Merchant Services Private Limited <sup>(5)</sup>	July 2009	Merchant servicing	19.00 %	2,132	1,268	3,975
India Infradebt Limited <sup>(5)</sup>	October 2012	Infrastructure finance	31.00 %	1,432	3,799	26,225
India Advantage Fund-III <sup>(5),(6)</sup>	June 2005	Venture Capital Fund	24.10 %	654	4,353	4,644
India Advantage Fund-IV <sup>(5),(7)</sup>	August 2005	Venture Capital Fund	47.14 %	Rs. 154	Rs. 3,070	Rs. 3,082

(1) Total income represents gross income from operations and other income of the entity.

(2) Net worth represents share capital/unit capital (in case of venture capital funds) and reserves and surplus of the entity.

(3) Total assets represent fixed assets, advances, investments and gross current assets (including cash and bank balances) of the entity.

(4) This entity has been consolidated as per Accounting Standard 21 – Consolidated Financial Statements.

(5) These entities have been accounted for as per the equity method as prescribed by AS 23 on ‘Accounting for Investments in Associates in Consolidated Financial Statements’.

(6) This entity has been accounted for as per the equity method from fiscal 2015.

(7) This entity has been accounted for as per the equity method from the three months ended September 30, 2014.

(8) During fiscal 2016, ICICI Equity Fund and I-Ven Biotech Limited ceased to be a consolidating entity and accordingly have not been consolidated.

At year-end fiscal 2016, all of our subsidiaries and joint ventures were incorporated in India, except the following five companies:

ICICI Securities Holdings Inc., incorporated in the United States;

ICICI Securities Inc., incorporated in the United States;

ICICI Bank UK PLC, incorporated in the United Kingdom;

ICICI Bank Canada, incorporated in Canada;

ICICI International Limited, incorporated in Mauritius.

ICICI Securities Holdings Inc. is a wholly owned subsidiary of ICICI Securities Limited and ICICI Securities Inc. is a wholly owned subsidiary of ICICI Securities Holdings Inc. ICICI Securities Holdings Inc. and ICICI Securities Inc. are consolidated in ICICI Securities' Limited's financial statements.

## Technology

We continue to endeavor to be at the forefront of usage of technology in the financial services sector. We strive to use information technology as a strategic tool for our business operations, to gain competitive advantage and to improve our overall productivity and efficiency. We aim to bring in high levels of functionality to all our channels such as branches, internet banking, ATMs, mobile banking, tablet banking which involves opening bank accounts using tablets, phone banking and Facebook banking where banking facilities are provided through a social network, and at the same time continue to improve and strengthen security, infrastructure and networks. In order to enable organization-level coordinated efforts and enhance our focus on leveraging technology and capitalizing on opportunities in the digital space, we created a technology and digital group, headed by a Chief Technology and Digital Officer, which will integrate all the technology teams as well as the digital channels, business intelligence and analytics teams. The technology and digital group will also be responsible for incubating innovative projects and developing partnerships in the digital space.

Our technology initiatives are aimed at enhancing value, offering customers greater convenience and improved service levels while optimizing costs. Our focus on technology emphasizes:

Electronic and online channels to:

- offer easy access to our products and services;
- reduce distribution and transaction costs;
- new customer acquisition;
- enhance existing customer relationships; and
- reduce time to market.

The application of information systems for:

- increasing our customer base;
- effective marketing;
- monitoring and controlling risks;

105

- identifying, assessing and capitalizing on market opportunities; and
- assisting in offering improved products and services to customers.

We also seek to leverage our domestic technology capabilities in our international operations.

### ***Technology Organization***

Our technology and digital group has been created to provide an integrated technology and digital agenda for the Bank across various business groups including retail, corporate, small and medium enterprises and treasury. The group comprises a digital channels group focused on internet banking and mobile solutions, a digital partnerships group for developing partnerships with technology-driven companies, a business technology group to support core banking and other systems used by business groups, a corporate center technology group to provide technology systems used by the corporate center, markets and human resources groups, a technology infrastructure and a technology management group to provide the required infrastructure, and an innovation lab that will be prototyping, incubating and piloting strategic digital projects.

### ***Banking Application Software***

We use banking applications like a core banking system, loan management system, and credit card management system, all of which are flexible and scalable and allow us to serve our growing customer base. A central stand-in server ensures services all days of the week, throughout the year, to the various delivery channels even if the primary systems are unavailable. We have a state-of-the-art data center in Hyderabad for centralized data base management, data storage and retrieval and a disaster recovery center at Jaipur.

### ***Electronic and Online Channels***

We use a combination of physical and electronic delivery channels to maximize customer choice and convenience, which has helped to differentiate our products in the marketplace. Our branch banking software is flexible and scalable and integrates seamlessly with our electronic delivery channels. At year-end fiscal 2016, we had 13,766 automated teller machines across India. Our automated teller machines have additional features such as instant fund transfer, bill payment and insurance premium payment. At year-end fiscal 2016, we had 110 fully automated Touch Banking branches that provide 24-hour simple and convenient electronic banking to customers. At these branches, customers can perform banking transactions like cash deposits and cash withdrawals and also interact with our customer service staff through video-conferencing facilities. At year-end fiscal 2016, we offered tablet banking facilities across 2,013 locations in India. Our employees open new customer accounts using tablets to capture customer information digitally in order to minimize physical documents and improve efficiency in opening of new deposit accounts.

We offer a number of online banking services to our customers for both corporate and retail products and services. Our re-designed website offers a seamless and customized experience across multiple devices. It also gives differential experience to different customer segments. Our call centers across locations at Thane and Hyderabad are operational around the clock and are equipped with multiple leading edge systems such as interactive voice response systems, automatic call distribution, computer telephony integration and voice recorders. We seek to use the latest technology in these call centers to provide an integrated customer view to the call center agents to get a complete overview of the customer's relationship with us. The database enables customer segmentation and assists the call agent in identifying and executing cross-selling opportunities. Our banking application on Facebook allows customers to access their account details, view account statements and place service requests. We also have innovative payment services on Twitter, through which customers can transfer funds while using Twitter.

We offer mobile banking services in India in line with our strategy to offer multi-channel access to our customers. This service has now been extended to all mobile telephone service providers across India and non-resident Indian customers in certain other countries where we have a presence. In recent years we have enhanced our focus on mobile banking in view of the growing use of mobile phones for various applications. During fiscal 2016, we migrated our mobile banking application, iMobile, to a robust framework. The application has been revamped to make it comprehensive and now, offers more than 150 functionalities which are available across all mobile platforms. The first-of-its-kind offerings integrated in the application enable the customers to enjoy the option of logging in through either their mobile pin (MPIN) or personalized username, initiate a transaction before reaching the branch through Insta Banking, purchase mutual funds and avail forex services. It allows customers to directly call our call center, withdraw cash from automated teller machines

without using a card, tag frequent transactions as favorites and receive alerts from Google Now and Touch ID (from Apple) as an alternate authentication method for secured login. Our online remittance solution is also available as a mobile application across major platforms and allows customers to track exchange rates and initiate remittance transactions. In the area of remittances, we have focused on products that can expedite money transfer and offer convenience to customers in remitting money to India.

We launched our e-wallet called the “Pockets” in fiscal 2015, which is a mobile application allowing an individual to transact on any website or mobile application in India. The e-wallet allows for the transfer of funds to any email ID, mobile number, friend on Facebook and bank account, the payment of bills and the booking of tickets. We have also provided solutions in areas like urban mass rapid transit payment systems and electronic toll collection on highways and have developed exclusive cards with the convenience of automatic top-up of the balance available for transit or toll payments, thus minimizing waiting time for making such payments.

During fiscal 2016, we launched two new digital initiatives to simplify and speed up the assessment for new home loans as well as disbursements linked to the construction stage of projects. The first initiative called ‘Express Home Loans’ allows online approval of home loans within eight working hours. This service is available for all salaried individuals, including non-ICICI Bank customers. The second initiative helps individuals taking home loans for under construction projects to get subsequent disbursements through our ‘iLoans’ mobile application.

We also launched India’s first contactless mobile payment solution which allows cashless payments using smartphones, thereby eliminating the need to carry cash or debit and credit cards. We also launched a virtual mobile application development challenge called ‘ICICI Appathon’ during the year tapping into the immense talent of a techno-innovative generation to bring new ideas and develop the next generation of banking applications on mobile phones. The program received an overwhelming response with over 2,000 participants from across the globe. We worked closely with the National Payments Corporation of India for the launch of the Unified Payment Infrastructure which will make payments through smartphones more convenient for customers.

### ***High-Speed Electronic Communications Infrastructure***

We have a nationwide data communications backbone linking all our channels and offices. The network is designed for extensive reach and redundancy, which are imperative in a vast country like India.

### ***Operations Relating to Commercial Banking for Corporate Customers***

Our corporate banking back office operations are centralized and we have a business process management solution to automate our activities in the areas of trade services and general banking operations. Through integration of the work

flow system with the imaging and document management system, we have achieved substantial savings and practically eliminated the use of paper for these processes. We have launched a comprehensive payments solution for institutional and government customers. We have launched an online tendering platform, supporting multiple payment modes and covering various electronic collection and payment products.

We upgraded our treasury trading infrastructure to a state-of-the-art IP telephony based architecture. We have also enhanced our existing process of automation in the treasury business, thus reducing trading risks and also enhancing market competitiveness. We have centralized the processing systems of treasuries of all our overseas branches and banking subsidiaries. As a result, the processing of transactions as well as the applications used for deal entry are now centrally located and maintained in India.

### ***Customer Relationship Management***

We have implemented a customer relationship management solution for the automation of customer service requests in all key retail products. The solution helps in tracking and timely resolution of various customer queries and issues. The solution has been deployed at the telephone banking call centers as well as at a large number of branches.

### ***Data Warehousing and Data Mining***

We have a data warehouse for customer data aggregation and data mining initiatives. We have implemented an enterprise application integration initiative across our retail and corporate products and services, to link various products, delivery and channel systems. This initiative follows from our multi-channel customer service strategy and seeks to deliver customer related information consistently across access points. It also aims to provide us with valuable information to compile a unified customer view and creates various opportunities associated with cross-selling and upselling other financial products.

### *Data Centre and Disaster Recovery System*

We have a data center at Hyderabad, which is designed to optimize energy efficiency and accommodate high server densities. We also have a disaster recovery data center at Jaipur. We are in the process of expanding our data center. We have developed business continuity plans, which would help facilitate continuity of critical businesses in the event of a disaster. These plans are tested periodically under live or simulated scenarios. These plans have been prepared in line with the guidelines issued by the Reserve Bank of India and have been approved by our Board of Directors.

### *Cyber Security*

We have taken a comprehensive approach pertaining to cyber security and have laid down policies, standards and guidelines for ensuring security against cyber threats. We have adopted a defense-in-depth approach to protect our cyber security infrastructure. We have a dedicated in-house Cyber Security Operations Centre for monitoring and handling cyber security incidents.

### Competition

We face competition in all our principal areas of business from Indian and foreign commercial banks, housing finance companies, non-banking finance companies, mutual funds and investment banks. We are the largest private sector bank in India in terms of total assets on a consolidated basis. We seek to gain competitive advantage over our competitors by offering innovative products and services, using technology, building customer relationships and developing a team of highly motivated and skilled employees. We evaluate our competitive position separately in respect of our products and services for retail and corporate customers.

### Commercial Banking Products and Services for Retail Customers

In the retail markets, competition is primarily from foreign and Indian commercial banks and housing finance companies. Foreign banks have product and delivery capabilities but are likely to focus on limited customer segments and geographical locations since they have a smaller branch network than Indian commercial banks. Foreign banks in aggregate had only 324 branches in India at March 31, 2016. Indian public sector banks have wide distribution networks but generally relatively less strong technology and marketing capabilities while private sector banks have a relatively smaller branch network but stronger technology capabilities. With the implementation of technology-based core banking solutions and mobile-based banking services, public sector banks have become more competitive in



selling products and services to retail customers. In addition, some specialized non-banking finance companies have increased market share in certain segments of retail banking products. We seek to compete in this market through a full product portfolio and effective distribution channels, which include branches, agents, robust credit processes and collection mechanisms, experienced professionals and superior technology.

Commercial banks compete to attract retail bank deposits, historically the preferred retail savings product in India. We have sought to capitalize on our corporate relationships to gain individual customer accounts through payroll management products. In recent years, we have significantly expanded our branch network. We pursue a multi-channel distribution strategy utilizing physical branches, ATMs, telephone banking call centers, mobile banking, tablet banking and the internet to reach customers. Further, following a strategy focused on customer profiles and product segmentation, we offer differentiated liability products to customers depending on their occupation, age and income profile. Mutual funds are another source of competition to us. Mutual funds offer tax advantages and have the capacity to earn competitive returns and hence present a competitive alternative to bank deposits. We also face competition from non-banking finance companies that are lending in segments in which banks have a presence, including home loans and vehicle loans.

The Reserve Bank of India has granted approval to two applicants for setting up new private sector banks which began banking operations during fiscal 2016. The Reserve Bank of India has given in-principle licenses to 11

payments banks, which includes large telecom companies and pre-paid wallet providers (some of whom have subsequently indicated that they would not pursue the establishment of payments banks). In-principle licenses have also been given to 10 small finance banks which include micro-finance non-banking finance companies. Of these, one small finance bank has begun operations and three payments banks have surrendered, or announced their intention to surrender, their licenses. In the monetary policy statement announced on April 5, 2016, the Reserve Bank of India also indicated that it would release a paper on licensing of other differentiated banks such as custodian banks and banks focused on wholesale and long-term financing. The Reserve Bank of India has also released draft guidelines in May 2016 with respect to continuous licensing policy for universal banks as compared to the current practice of intermittently issuing licenses. The Reserve Bank of India has also indicated that it plans to give greater access to foreign banks in the Indian market. The Reserve Bank of India released a framework for the presence of foreign banks in November 2013 and has indicated that the subsidiary route would be the preferred mode of presence for foreign banks and has proposed giving near national treatment based on the principles of reciprocity and subsidiary mode of presence.

#### Commercial Banking Products and Services for Agricultural and Rural Customers

In our commercial banking operations for agricultural and rural customers, we face competition from public sector banks that have large branch networks in rural India. Other private sector banks and non-banking finance companies have also increased their focus on rural markets. We also face competition from specialized players such as rural finance institutions and non-banking finance companies. We seek to compete in this business based on our product strategy and multiple channels. The Reserve Bank of India has issued licenses to specialized small finance banks and payments banks that are expected to compete in the rural and unorganized sectors.

#### Commercial Banking Products and Services for Corporate Customers

In products and services for corporate customers, we face strong competition primarily from public sector banks, foreign banks and other new private sector banks. Our principal competition in these products and services comes from large public sector banks. Public sector banks and certain private sector banks also have a traditional competitive advantage with respect to the government banking segment. We seek to compete based on our service and prompt turnaround times that we believe are significantly faster than public sector banks. We seek to compete with the large branch networks of the public sector banks through our multi-channel distribution approach and technology-driven delivery capabilities. Traditionally, foreign banks have been active in providing treasury-related products and services, trade finance, fee-based services and other short term financing products to top-tier Indian corporations. We compete with foreign banks in cross-border trade finance based on our wider geographical reach relative to foreign banks and our customized trade financing solutions. We have established strong fee-based cash management services and leverage our balance sheet size, wider branch network, technology and our international presence to compete in treasury-related products and services.

Other new private sector banks, and likely licensing of new differentiated banks focused on wholesale and long-term financing, will also compete in the corporate banking market on the basis of efficiency, service delivery and

technology. However, we believe that our size, capital base, strong corporate relationships, wider geographical reach and ability to use technology to provide innovative, value-added products and services provide us with a competitive edge.

In project finance, ICICI's primary competitors were established long-term lending institutions. Indian and foreign commercial banks have also sought to expand their presence in this market. We believe that we have a competitive advantage due to our strong market reputation and expertise in risk evaluation and mitigation. We believe that our in-depth sector specific knowledge and capabilities in understanding risks and policy related issues as well as our advisory, structuring and syndication services have allowed us to gain credibility with project sponsors, overseas lenders and policy makers.

#### Commercial Banking Products and Services for International Customers

Our international strategy is focused on India-linked opportunities. In our international operations, we face competition from Indian public sector banks with overseas operations, foreign banks with products and services targeted at non-resident Indians and Indian businesses and other service providers such as remittance services. Foreign banks have become more competitive in providing financing to Indian businesses leveraging their strength of access to lower cost foreign currency funds. We are seeking to position ourselves as an Indian bank offering globally-benchmarked products and services with an extensive distribution network in India to gain competitive advantage. We seek to leverage our technology capabilities developed in our domestic businesses to

offer convenience and efficient services to our international customers. We also seek to leverage our strong relationships with Indian corporations in our international business.

### Insurance and Asset Management

Our insurance and asset management joint ventures face competition from existing dominant public sector players as well as new private sector players. We believe that ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company have built strong product, distribution and risk management capabilities, achieving strong market positions in their respective businesses. We believe that the ability to leverage ICICI Bank's retail franchise and distribution network is a key competitive advantage for our insurance and asset management subsidiaries.

### Employees

At year-end fiscal 2016, we had 97,132 employees, including sales executives, employees on fixed term contracts and interns, compared to 90,486 employees at year-end fiscal 2015 and 94,204 employees at year-end fiscal 2014. Of these, 74,096 employees were employed by ICICI Bank at year-end fiscal 2016, an increase from 67,857 at year-end fiscal 2015. Of our 97,132 employees at year-end fiscal 2016, approximately 42,436 were professionally qualified, holding degrees in management, accountancy, engineering, law, computer science, economics or banking.

We dedicate a significant amount of senior management time to ensuring that employees remain highly motivated and are aligned to the organization's core employee proposition. Employee compensation is linked to performance and we encourage the involvement of our employees in our overall performance and profitability. A performance appraisal and talent management systems have been instrumental in assisting management in career development and succession planning. Management believes that it has good working relationships with its employees.

ICICI Bank has an employee stock option scheme to encourage and retain high-performing employees. Pursuant to the employee stock option scheme up to 10.0% of the aggregate of our issued equity shares at the time of grant of the stock options can be allocated under the employee stock option scheme. The stock options entitle eligible employees to apply for equity shares. Pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014, options are granted by the Board Governance, Remuneration & Nomination Committee (BGRNC) and noted by the Board.

The eligibility of each employee is determined based on an evaluation including the employee's work performance and potential. We pay performance linked retention pay to its frontline employees and junior management and performance bonus to its middle and senior management. Performance linked retention pay aims to reward front line and junior managers mainly on the basis of skill maturity attained through experience and continuity in role which a

key differentiator for customer services. We also pay variable pay to sales officers and relationship manager in wealth management roles while ensuring that such pay-outs are in accordance with the compensation-related guidelines of the Reserve Bank of India. The Bank ensures a higher proportion of variable pay at senior levels and lower variable pay at front-line staff and junior management levels. The quantum of bonus for an employee does not exceed a certain percentage of the total fixed pay in a year. Within this percentage, if the bonus exceeds a predefined percentage of the fixed pay, a part of the bonus is deferred and paid over a period. The deferred portion is subject to malus, under which ICICI Bank could prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence, breach of integrity, or in the event of reasonable evidence of deterioration in financial performance in the form of a decline in the profit after tax of the Bank beyond a defined threshold, based on the Board Governance Nomination and Remuneration Committee's evaluation of the reasons for the same. See also *"Management—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme"*.

In addition to basic compensation, our employees are eligible to receive loans from ICICI Bank at subsidized rates and to participate in its provident fund and other employee benefit plans. The provident fund, to which both ICICI Bank and its employees contribute a defined amount, is a savings scheme, required by government regulation, under which ICICI Bank at present is required to pay to employees a minimum annual return as specified from time to time, which was specified at 8.80% for fiscal 2016. If such return is not generated internally by the fund, ICICI Bank is liable for the difference. ICICI Bank has also set up a superannuation fund to which it contributes defined amounts. The employees have been given an option to opt out of the superannuation fund and in such cases the defined amounts are paid as part of monthly salary. In

addition, ICICI Bank contributes specified amounts to a gratuity fund set up pursuant to Indian statutory requirements.

ICICI Bank has training centers, where various training programs designed to meet the changing skill requirements of its employees are conducted. These training programs include orientation sessions for new employees and management development programs for mid-level and senior executives. The training centers regularly offer courses conducted by faculty, both national and international, drawn from industry, academia and ICICI Bank's own organization. Training programs are also conducted for developing functional as well as managerial skills. Products and operations training are also conducted through web-based training modules.

The following table sets forth, at the dates indicated, the number of employees in ICICI Bank and its consolidated subsidiaries and other consolidated entities.

	At March 31,		2015		2016	
	2014		Number	% of total	Number	% of total
ICICI Bank Limited	72,226	76.7	67,857	75.0	74,096	76.3
ICICI Prudential Life Insurance Company Limited	10,745	11.4	10,909	12.1	10,706	11.0
ICICI Lombard General Insurance Company Limited	5,243	5.6	5,829	6.4	6,427	6.6
ICICI Home Finance Company Limited <sup>(2)</sup>	532	0.6	528	0.6	515	0.5
ICICI Prudential Asset Management Company Limited	773	0.8	1,006	1.1	1,184	1.2
ICICI Securities Limited	4,075	4.3	3,815	4.2	3,676	3.8
ICICI Securities Primary Dealership Limited	73	0.1	76	0.1	77	0.1
Others	537	0.5	466	0.5	451	0.5
<b>Total number of employees<sup>(1)</sup></b>	<b>94,204</b>	<b>100.0</b>	<b>90,486</b>	<b>100.0</b>	<b>97,132</b>	<b>100.0</b>

(1) Includes interns, sales executives and employees on fixed-term contract totaling 2,070 at year-end fiscal 2016, 1,647 at year-end fiscal 2015 and 1,813 at year-end fiscal 2014.

(2) All employees are deputed from ICICI Bank.

## Properties

Our registered office is located at Landmark, Race Course Circle, Vadodara 390 007, Gujarat, India. Our corporate headquarters are located at ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400 051, Maharashtra, India.

ICICI Bank had a principal network consisting of 4,450 branches and 13,766 ATMs at March 31, 2016 compared to 4,050 branches and 12,451 ATMs at March 31, 2015. These facilities are located throughout India. In addition to

branches, extension counters and ATMs, ICICI Bank has 45 controlling or administrative offices, including our registered office at Vadodara and our corporate headquarters at Mumbai, 52 processing centers and 35 currency chests. We have branches in Bahrain, Dubai International Financial Centre, Hong Kong, Qatar Financial Centre, Singapore, Sri Lanka, the United States South Africa, China and representative offices in the United Arab Emirates, Bangladesh, Indonesia, and Malaysia. We also provide residential facilities to employees. At March 31, 2016, we owned 721 apartments for our employees.

#### Legal and Regulatory Proceedings

We are involved in various litigations and are subject to a wide variety of banking and financial services laws and regulations in each of the jurisdictions in which we operate. We are also subject to a large number of regulatory and enforcement authorities in each of these jurisdictions. We are involved in a number of legal proceedings and regulatory relationships in the ordinary course of our business. However, we are not a party to any proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

The following penalties were imposed and paid by us in the past:

In May 2012, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 11.8 million on ICICI Prudential Life Insurance Company because of non-compliance with certain provisions of the Insurance Act, 1938 and regulations/guidelines issued by the Insurance Regulatory and Development Authority in respect of distribution partners and group insurance.

In fiscal 2012, the Reserve Bank of India imposed a penalty of Rs. 1.5 million on us in connection with non-compliance of certain instructions issued by the Reserve Bank of India with respect to our derivatives business.

In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.1 million on the Bank in connection with an operational error regarding the sale of government securities on behalf of a customer.

In May 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership in connection with an operational error regarding the sale of government securities.

In October 2012, the Reserve Bank of India imposed a penalty of Rs. 3.0 million on ICICI Bank for non-compliance with the Know Your Customer directions issued by Reserve Bank of India.

In December 2012, the Reserve Bank of India imposed a penalty of Rs. 0.5 million on ICICI Securities Primary Dealership in connection with an operational error regarding the sale of government securities.

In June 2013, the Reserve Bank of India imposed a penalty of Rs. 10.0 million on ICICI Bank, along with penalties on other banks in India, pursuant to its investigation following a sting operation by a news website on branches of Indian banks and insurance companies.

In September 2013, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Lombard General Insurance Company Limited, along with penalties on other general insurers in India, for not meeting the mandatory target in respect of declined risk pool for fiscal 2013.

In July 2014, the Reserve Bank of India imposed a penalty on 12 Indian banks including us following its scrutiny of the loan and current accounts of one corporate borrower with these banks. The penalty imposed on us was Rs. 4.0 million. A penalty of Rs. 1.4 million was also imposed on us in February 2015 by the Financial Intelligence Unit, India for failure in reporting the attempted suspicious transactions to which the above sting operations pertained. We have filed an appeal against the penalty. See also “*Business—Risk Management—Anti-Money Laundering Controls*”.

In October 2014, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 5.0 million on ICICI Lombard General Insurance Company Limited following the onsite inspection conducted in August 2010 on market conduct and financial condition of the company.

In December 2014, the Reserve Bank of India imposed penalties on two Indian banks, including us, for non-compliance with the Know Your Customer/Anti Money Laundering directions/guidelines issued by the Reserve



Bank of India in respect of fraudulent opening of fictitious accounts with certain banks. The penalty imposed on us was Rs. 5.0 million.

In December 2014, the Securities and Exchange Board of India imposed a penalty of Rs. 10 million on six book running lead managers including ICICI Securities Limited for violation of Securities and Exchange Board of India regulations. The penalty is payable jointly and severally by all book running lead managers. ICICI Securities Limited along with other book running lead managers has filed an appeal before the Securities Appellate Tribunal, proceedings of which are in progress.

In September 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 1 million on ICICI Lombard General Insurance Company after an on-site inspection on Government sponsored schemes conducted during February, 2014.

In October 2015, the Insurance Regulatory and Development Authority of India imposed a penalty of Rs. 0.5 million on ICICI Prudential Life Insurance Company for payments made directly to employees of outsourced entity over and above agreed contract terms and conditions.

*See also “Risk Factors—Risks Relating to our Business—We are involved in various litigations. Any final judgment awarding material damages against us could have a material adverse impact on our future financial performance and our stockholders’ equity” and “Risk Factors—Risks Relating to our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment”.*

At year-end fiscal 2016, our contingent tax liability was assessed at an aggregate of Rs. 39.9 billion, mainly pertaining to income tax, service tax and sales tax/value added tax demands by the government of India’s tax authorities for past years. We have appealed against each of these tax demands. The tax related inquiries are not included in contingent liabilities as we believe that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities. Based on consultation with counsel and favorable decisions in our own and other similar cases as set out below, management believes that the tax authorities are not likely to be able to substantiate their tax assessments and, accordingly, we have not provided for these tax demands at year-end fiscal 2016. Disputed tax issues that are classified as remote are not disclosed as contingent liabilities by us.

Of the contingent tax liability of Rs. 39.9 billion:

Rs. 4.3 billion relates to sales tax/value added tax assessment mainly pertaining to value added tax on disposal of repossessed assets, tax on interstate/import leases by various state government authorities in respect of lease transactions entered into by the Bank, and bullion-related matters, where we are relying on favorable opinions from counsel. Of the total demand, Rs. 2.3 billion pertains to value added tax on disposal of repossessed assets where we are relying on a favorable opinion from counsel confirming that we only facilitate the disposal of repossessed assets for recovery of its loan from the borrower and cannot be regarded as a seller of repossessed assets. The other disputed issues mainly pertain to tax on inter-state/import leases by various state government authorities in respect of lease transactions entered into by the Bank and bullion related matters pertaining to procedural issues like submission of statutory forms.

Rs. 5.6 billion is in respect of service tax matters. Of the total demand, Rs. 1.5 billion pertains to our life insurance subsidiary for levy of service tax on surrender/foreclosure charges under unit linked insurance plans/life insurance plans, Rs. 1.0 billion pertains to venture capital funds in respect of retention of contribution received by the fund being treated as fees received in lieu of management services rendered by them, Rs. 2.6 billion pertains to the Bank mainly relating to interest charged on liquidity facilities provided to trusts holding securitized loan portfolios, inter-change fee received by the Bank as an issuing bank on card transactions and disallowance of input credit availed for service tax on insurance premium along with penalty thereon and Rs. 0.2 billion pertains to ICICI Venture Funds Management Company Limited for levy of service tax on the income received from investment in venture capital units, by treating the same as performance fees received. The balance amount of Rs. 0.3 billion pertains to other entities. The group believes that the tax authorities are not likely to be able to substantiate the above tax demands.

Rs. 30.0 billion relates to appeals filed by us or the tax authorities with respect to assessments mainly pertaining to income tax, and interest tax, where we are relying on favorable precedent decisions of the appellate court and expert opinions. The key disputed liabilities are:

Rs. 13.1 billion relates to whether interest expenses can be attributed to earning tax-exempt income. We believe that no interest can be allocated as there are no borrowings earmarked for investments in shares/tax free bonds and our interest free funds are sufficient to cover investments in the underlying tax free securities. The group has relied on favorable opinion from counsel and favorable appellate decisions in similar cases;

Rs. 2.0 billion relates to the disallowance of mark-to-market losses on derivative transactions treated by the tax authorities as notional losses. The group has relied on favorable opinion from counsel and favorable appellate decisions in similar cases, which had allowed the deduction of mark-to-market losses from business income;

Rs. 5.5 billion relates to the disallowance of depreciation claims on leased assets by the tax authorities, by treating the lease transactions as loan transactions. The group has relied on a favorable opinion from counsel and favorable appellate decisions in the Bank's own case and other similar cases; and

Rs. 2.7 billion relates to taxability of amounts withdrawn from the special reserve. ICICI had maintained two special reserve accounts, which includes special reserve created up to assessment year 1997-98. Withdrawals from the account were assessed as taxable by the tax authorities for the assessment years 1998-99 to 2000-01. We have received favorable orders in respect of the assessment year 1998-1999 and 1999-2000 but the income tax department has appealed against the favorable orders.

Rs. 1.2 billion relates to the disallowance of broken period interest paid on purchase of government securities considering it as capital in nature since the same have been classified under held-to-maturity category by us. We have relied on favorable appellate decisions in its own case and other similar cases.

Based on judicial precedents in our own and other cases, and upon consultation with tax counsel, management believes that it is more likely than not that our tax position will be sustained. Accordingly, no provision has been made in the accounts.

The above contingent liability does not include Rs. 39.7 billion, considered as remote. Of the total disputed tax demands classified as remote, Rs. 34.8 billion mainly pertains to the deduction of bad debts and levy of penalties, which are covered by favorable Supreme Court of India decisions in other cases. Therefore, they are not required to be disclosed as contingent liability. The balance of Rs. 4.9 billion pertains to disputed tax liability of our life insurance subsidiary primarily due to non-allowance of set-off of brought forward business loss by the assessing officer against the shareholders' income, which has been considered as income from other sources by the tax authorities. The same is considered as remote on the basis of favorable income tax appellate decisions in our life insurance subsidiary's own case. The consequence of inquiries initiated by the tax authorities are not quantified, as we believe that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities.

A number of litigations and claims against ICICI Bank and its directors are pending in various forums. The claims on ICICI Bank mainly arise in connection with civil cases involving allegations of service deficiencies, property or labor disputes, fraudulent transactions, economic offences and other cases filed in the normal course of business. We are also subject to counterclaims arising in connection with our enforcement of contracts and loans. A provision is created where an unfavorable outcome is deemed probable and in respect of which a reliable estimate can be made. In view of the inherent unpredictability of litigation and for cases where the claim amount sought is substantial, the actual cost of resolving litigations may be substantially different from the provision held.

We held a total provision of Rs. 325.7 million at year-end fiscal 2016 for 444 cases with claims totaling approximately Rs. 1,261.0 million, where an unfavorable outcome was deemed probable and in respect of which a reliable estimate could be made.

For cases where an unfavorable outcome is deemed to be reasonably possible but not probable, the amount of claims is included in contingent liabilities. At year-end fiscal 2016, such claims amounted to a total of Rs. 639.5 million relating to 118 cases. It was not possible to estimate the possible loss or range of possible losses for these cases due to the nature of the cases and other external factors. For cases where the possibility of an unfavorable outcome is deemed

remote, we have not made a provision, nor have we included the amount of the claims in these cases in contingent liabilities.

In some instances, civil litigants have named our directors as co-defendants in lawsuits against ICICI Bank. There were 247 such cases at year-end fiscal 2016.

Management believes, based on consultation with counsel, that the claims and counterclaims filed against us in the above legal proceedings are frivolous and untenable and their ultimate resolution will not have a material adverse effect on our results of operations, financial condition or liquidity. Based on a review of other litigations with legal counsel, management also believes that the outcome of such other matters will also not have a material adverse effect on our financial position, results of operations or cash flows.

At year-end fiscal 2016, there were 69 ongoing litigations (including those where the likelihood of our incurring liability is assessed as “probable”, “possible” and “remote”), each involving a claim of Rs. 10 million or more, with an aggregate amount of approximately Rs. 39.8 billion (to the extent quantifiable and including amounts claimed jointly and severally from us and other parties). The following are litigations where the amounts claimed are Rs. 1.0 billion or higher:

The promoters and promoter group entities of Kingfisher Airlines Limited have filed a suit in the Bombay High Court against 19 lenders who had provided credit facilities to Kingfisher Airlines Limited seeking to declare void the corporate guarantee given by one of the entities to the lenders and restrain the lenders from acting in furtherance of the corporate guarantee as well as a personal guarantee of the promoter and invocation of pledge of shares held by the lenders, and claiming damages of Rs. 32.0 billion from the lenders towards sums invested by the promoter group in Kingfisher Airlines Limited. The Bombay High Court has not granted any interim relief restraining lenders from acting in furtherance of the invocation of pledge. ICICI Bank had assigned its exposure to Kingfisher Airlines Limited to a third party in June 2012 and thereby ceased to be a lender to the company. The cause of action for the suit arose subsequent to that date, and the securities mentioned in the suit were not securities held by ICICI Bank even when it was a lender to the company. Consequently, we believe the suit against it is not maintainable and has filed its written statement. The matter is pending before the court.

In 1999, we filed a suit in the Debt Recovery Tribunal, Delhi against Esslon Synthetics Limited and its Managing Director (in his capacity as guarantor) for the recovery of amounts totaling Rs. 169 million due from Esslon Synthetics Limited. In May 2001, the guarantor filed a counterclaim for an amount of Rs. 1.0 billion against us and other lenders who had extended financial assistance to Esslon Synthetics on the grounds that he had been coerced by officers of the lenders into signing an agreement between LML Limited, Esslon Synthetics and the lenders on account of which he suffered, among other things, loss of business. Esslon Synthetics Limited filed an application to amend the counterclaim in January 2004. We have filed our reply to the application for amendment. The guarantor has also filed an interim application on the grounds that certain documents have not been exhibited, to which we have filed our reply stating that the required documents are neither relevant nor necessary for adjudicating the dispute between the parties. In the meantime, the Industrial Development Bank of India has challenged the order of the Debt Recovery Tribunal, Delhi, whereby the Debt Recovery Tribunal allowed LML Limited to be included in the list of parties. The Debt Recovery Appellate Tribunal, Delhi has passed an interim stay order against the Debt Recovery Tribunal proceedings. In the liquidation proceeding before the High Court at Allahabad, the official liquidator attached to the Allahabad High Court sold the assets of Esslon Synthetics for Rs. 61 million in November 2002. We have filed our claim with the official liquidator attached to the Allahabad High Court for our dues. The official liquidator has informed us that the claim of the Bank has been allowed and that the amount payable to the Bank is Rs. 12 million. We have filed an affidavit before the official liquidator for disbursement of the amount and the official liquidator has released Rs. 9 million to the Bank and the balance amount will be disbursed after finalization of amounts due to the employees of Esslon Synthetics by the court. Further, the guarantor has filed an insolvency proceeding before the insolvency court which is currently being opposed by the lenders including ICICI Bank. The matter is pending.

Certain investors of a real estate investment fund registered in Mauritius and managed by ICICI Venture Funds Management Company Limited, a wholly owned subsidiary of ICICI Bank, have filed a petition in the Supreme Court of Mauritius against ICICI Venture Funds Management Company, the trustee and administrators of the fund and ICICI Bank alleging mis-selling and mismanagement of the Fund, and have claimed damages of US\$ 103.6 million. All the respondents to the petition, including the Bank and its subsidiary, have denied and rebutted the allegations and countered the petition, which is pending for hearing.

In addition, we have experienced rapid international expansion into banking in multiple jurisdictions which exposes us to a new variety of regulatory and business challenges and risks, including cross-cultural risk, and which increased the complexity of our risks in a number of areas including currency risks, interest rate risks, compliance risk, regulatory risk, reputational risk and operational risk. As a result of this rapid growth and increased complexity, we or our employees may be subject to regulatory investigations or enforcement proceedings in multiple jurisdictions in a variety of contexts. Despite our best efforts at regulatory compliance and internal controls, we, or our employees, may

from time to time, and as is common in the financial services industry, be the subject of confidential examinations or investigations that might, or might not, lead to proceedings against us or our employees. In any such situation it would be our policy to conduct an internal investigation, co-operate with the regulatory authorities and, where appropriate, suspend or discipline employees, including terminating their services.

We cannot predict the timing or form of any future regulatory or law enforcement initiatives, which we note are increasingly common for international banks, but we would expect to co-operate with any such regulatory investigation or proceeding.

## American Depositary Receipt Fees and Payments

### Fees and Charges Payable by Holders of our ADSs

The fees and charges payable by holders of our ADSs include the following:

- i) a fee not in excess of US\$0.05 per ADS is charged for each issuance of ADSs including issuances resulting from distributions of shares, share dividends, share splits, bonuses and rights distributions;
- ii) a fee not in excess of US\$0.05 per ADS is charged for each surrender of ADSs in exchange for the underlying deposited securities;
  - a fee for the distribution of the deposited securities pursuant to the deposit agreement, such fee being an amount equal to the fee for the execution and delivery of ADSs referred to in item (i) above which would have been charged as a result of the deposit of such securities, but which securities were instead distributed by the depositary, Deutsche Bank Trust Company Americas, to ADR holders.
- iii)

Additionally, under the terms of our deposit agreement, the depositary is entitled to charge each registered holder the following:

- i) taxes and other governmental charges incurred by the depositary or the custodian on any ADS or an equity share underlying an ADS including any applicable penalties thereon;
- ii) transfer or registration fees for the registration or transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities, including those of a central depository for securities (where applicable);
  - iii) any cable, telex, facsimile transmission and delivery expenses incurred by the depositary; and
- iv) customary expenses incurred by the depositary in the conversion of foreign currency, including, without limitation, expenses incurred on behalf of registered holders in connection with compliance with foreign exchange control restrictions and other applicable regulatory requirements, together with all expenses, transfer and registration fees, taxes, duties, governmental or other charges payable by the Depositary.



In the case of cash distributions, fees, if applicable, are generally deducted from the cash being distributed. Other fees may be collected from holders of ADSs in a manner determined by the depositary with respect to ADSs registered in the name of investors (whether certificated or in book-entry form) and ADSs held in brokerage and custodian accounts (via DTC). In the case of distributions other than cash (i.e., stock dividends, etc.), the depositary charges the applicable ADS record date holder concurrently with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or in book-entry form), the depositary sends invoices to the applicable record date ADS holders.

If any tax or other governmental charge is payable by the holders and/or beneficial owners of ADSs to the depositary, the depositary, the custodian or the Bank may withhold or deduct from any distributions made in respect of deposited securities and may sell for the account of the holder and/or beneficial owner any or all of the deposited securities and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

#### Fees and Other Payments Made by the Depositary

In fiscal 2012, the Bank entered into an agreement with the Depositary, Deutsche Bank Trust Company Americas, under which the Depositary shall reimburse the Bank for annual expenses incurred by the Bank towards investor relations or other expenses directly related to the ongoing maintenance of the American Depositary Receipt program. There are limits on the amount of expenses for which the depositary will reimburse the Bank, but the amount of reimbursement available to the Bank is not necessarily tied to the amount of fees the depositary collects from investors. Under certain circumstances, including the removal of Deutsche Bank Trust Company Americas as Depositary or termination of the American Depositary Receipt program, we are required to repay to Deutsche Bank Trust Company Americas amounts reimbursed in prior periods. During fiscal 2016, the Bank claimed and received a reimbursement of US\$325,000 from the Depositary towards expenses already incurred relating to the American Depositary Receipt Program.

## Selected Consolidated Financial and Operating Data

The following discussion and tables are based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included in this annual report. For selected financial data in accordance with U.S. GAAP, see "Selected U.S. GAAP Financial Data".

Certain re-classifications have been made in the financial statements for prior years to conform to classifications used in the current year. These changes have no impact on previously reported results of operations or stockholders' equity. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP, including the Accounting Standards issued by the Institute of Chartered Accountants of India and guidelines issued by the Reserve Bank of India and the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to ICICI Bank and specific subsidiaries and joint ventures.

The consolidated financial statements for fiscal 2012 through 2014 were audited by S.R. Batliboi & Co. LLP, Chartered Accountants, and for fiscal 2015 and 2016 by B S R & Co. LLP, Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India. The consolidated financial statements for fiscal 2012 through 2016 have also been audited by KPMG, an independent registered public accounting firm in India, in accordance with the auditing standards of the United States Public Company Accounting Oversight Board. Our Indian GAAP consolidated financial statements, reconciliation of net income and stockholders' equity to U.S. GAAP and notes to these financial statements, audited by KPMG, are set forth at the end of this annual report.

Our annual report, prepared and distributed to our shareholders under Indian law and regulations, includes consolidated as well as unconsolidated Indian GAAP financial statements and analysis of our results of operations and financial condition based on unconsolidated Indian GAAP financial statements.

You should read the following data with the more detailed information contained in "Operating and Financial Review and Prospects" and our consolidated financial statements. Historical results do not necessarily predict our results in the future.

## Operating Results Data

The following table sets forth, for the periods indicated, our operating results data.



Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31,					
	2012	2013	2014	2015	2016	2016 <sup>(1)</sup>
	(in millions, except per common share data)					
Selected income statement data:						
Interest income <sup>(2)</sup>	Rs. 379,948	Rs. 448,846	Rs. 494,792	Rs. 549,640	Rs. 592,937	US\$ 8,950
Interest expense	(250,132)	(282,854)	(297,106)	(323,182)	(339,965)	(5,132)
Net interest income	129,816	165,992	197,686	226,458	252,972	3,818
Non-interest income	286,634	293,198	300,846	352,523	421,021	6,355
Net total income	416,450	459,190	498,532	578,981	673,993	10,173
Non-interest expenses						
Depreciation on leased assets	(423)	(328)	(317)	(351)	(192)	(3)
Expenses pertaining to insurance business	(179,254)	(173,517)	(162,367)	(191,640)	(232,710)	(3,513)
Other operating expenses <sup>(3)</sup>	(115,844)	(128,225)	(143,979)	(158,237)	(174,993)	(2,641)
Total non-interest expenses	(295,521)	(302,070)	(306,663)	(350,228)	(407,895)	(6,157)
Operating profit before provisions	120,929	157,120	191,869	228,753	266,098	4,016
Provisions and contingencies	(14,063)	(20,952)	(29,003)	(45,363)	(123,054)	(1,857)
Profit before tax	106,866	136,168	162,866	183,390	143,044	2,159
Provision for tax	(27,490)	(34,869)	(46,095)	(53,967)	(33,775)	(510)
Profit after tax	79,376	101,299	116,771	129,423	109,269	1,649
Minority interest	(2,947)	(5,263)	(6,357)	(6,954)	(7,469)	(113)
Net profit	Rs. 76,429	Rs. 96,036	Rs. 110,414	Rs. 122,469	Rs. 101,800	US\$ 1,536
Per common share:						
Earnings-basic <sup>(4) (8)</sup>	Rs. 13.27	Rs. 16.66	Rs. 19.13	Rs. 21.17	Rs. 17.53	US\$ 0.26
Earnings-diluted <sup>(5) (8)</sup>	13.21	16.57	19.03	20.94	17.41	0.26
Dividend <sup>(6) (8)</sup>	3.30	4.00	4.60	5.00	5.00	0.08
Book value <sup>(7) (8)</sup>	101.20	114.32	130.51	143.11	153.10	2.31
Equity shares outstanding at the end of the period (in millions of equity shares) <sup>(8)</sup>	5,764	5,768	5,774	5,797	5,815	
Weighted average equity shares outstanding - basic (in millions of equity shares) <sup>(8)</sup>	5,762	5,765	5,772	5,786	5,807	
Weighted average equity shares outstanding – diluted (in millions of equity shares) <sup>(8)</sup>	5,778	5,787	5,794	5,842	5,840	

(1) Rupee amounts for fiscal 2016 have been translated into U.S. dollars using the exchange rate of Rs. 66.25 = US\$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2016.

(2) Interest income includes interest on rupee and foreign currency loans and advances (including bills) and hire purchase receivables and gains/(losses) on sell-down of loans of ICICI Bank. Interest income also includes interest on income tax refunds of Rs. 846 million, Rs. 2.7 billion, Rs. 2.0 billion, Rs. 2.8 billion and Rs. 3.3 billion for fiscal 2012, 2013, 2014, 2015 and 2016 respectively.

(3) Includes employee expenses, depreciation on fixed assets and other general office expenses.

(4)

Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share before dilutive impact.

Earnings per share is computed based on the weighted average number of shares and represents net profit/(loss) per share adjusted for full dilution. Options to purchase 64,353,000, 62,447,200, 73,376,100, 53,612,700 and (5)96,243,300 equity shares granted to employees at a weighted average exercise price of Rs. 200.7, Rs. 193.5, Rs. 207.2, Rs. 248.6 and Rs. 276.0 were outstanding at year-end fiscal 2012, 2013, 2014, 2015 and 2016 respectively, but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 3.30 per equity share for fiscal 2012, which was paid in fiscal 2013. We declared a dividend of Rs. 4.00 per equity share for fiscal 2013, which was paid in fiscal 2014. We declared a dividend of Rs. 4.60 per equity share for (6)fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which has been paid in fiscal 2017. The dividend per equity share is based on the total amount of dividends declared for the year, exclusive of dividend distribution tax.

(7) Represents equity share capital, employees' stock options outstanding and reserves and surplus reduced by deferred tax asset, goodwill and debit balance in the profit and loss account.

The shareholders of the Bank approved the sub-division of one equity share of Rs. 10 into five equity shares having (8) a face value of Rs. 2 each. The record date for the sub-division was December 5, 2014. Face value and number of shares have been re-stated and related ratios re-computed for all the previous periods presented to reflect the sub-division.

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of average total assets for the respective period. The average balances are the sum of daily average balances outstanding, except for the average balances of overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31,				
	2012	2013	2014	2015	2016
Selected income statement data:					
Interest income	6.52 %	7.01 %	7.03 %	7.15 %	6.98 %
Interest expense	(4.29)	(4.42)	(4.22)	(4.20)	(4.00)
Net interest income	2.23	2.59	2.81	2.95	2.98
Non-interest income	4.91	4.59	4.28	4.58	4.96
Total income	7.14	7.18	7.09	7.53	7.94
Depreciation on leased assets	(0.01)	(0.01)	(0.00)	(0.00)	(0.00)
Expenses pertaining to insurance business	(3.07)	(2.71)	(2.31)	(2.49)	(2.74)
Other operating expenses	(1.99)	(2.00)	(2.05)	(2.06)	(2.06)
Non-interest expenses	(5.07)	(4.72)	(4.36)	(4.55)	(4.80)
Operating profit before provisions	2.07	2.46	2.73	2.98	3.14
Provisions and contingencies	(0.24)	(0.33)	(0.41)	(0.59)	(1.45)
Profit before tax	1.83	2.13	2.32	2.39	1.69
Provision for tax	(0.47)	(0.55)	(0.66)	(0.71)	(0.40)
Profit after tax	1.36	1.58	1.66	1.68	1.29
Minority interest	(0.05)	(0.08)	(0.09)	(0.09)	(0.09)
Net profit	1.31 %	1.50 %	1.57 %	1.59 %	1.20 %

The following table sets forth, for the periods indicated, our selected financial data.

	At or for the year ended March 31,					
	2012	2013	2014	2015	2016	2016 <sup>(1)</sup>
	(in millions, except percentages)					
Selected balance sheet data:						
Total assets	Rs. 6,197,136	Rs. 6,749,830	Rs. 7,477,624	Rs. 8,260,792	Rs. 9,187,562	US\$ 138,680
Investments <sup>(2)</sup>	2,217,616	2,354,684	2,427,901	2,743,108	2,860,441	43,176
Advances, net	2,921,254	3,299,741	3,873,418	4,384,901	4,937,291	74,525
Non-performing customer assets (gross)	107,124	107,165	122,994	173,870	293,216	4,426
Total liabilities <sup>(5)</sup>	5,584,371	6,062,206	6,713,326	7,413,746	8,246,455	124,475
Deposits	2,819,505	3,147,705	3,595,127	3,859,552	4,510,774	68,087
Borrowings (includes subordinated debt and redeemable non-cumulative preference shares)	1,612,966	1,728,882	1,835,421	2,112,520	2,203,777	33,265
Equity share capital	11,528	11,536	11,550	11,597	11,632	176
Reserves and surplus <sup>(3)</sup>	601,237	676,088	752,748	835,449	929,475	14,030
Period average <sup>(4)</sup> :						

Edgar Filing: ICICI BANK LTD - Form 20-F

Total assets	5,832,309	6,394,436	7,037,002	7,689,402	8,490,942	128,165				
Interest-earning assets	4,697,241	5,272,489	5,830,625	6,449,193	7,246,635	109,383				
Advances, net	2,720,937	3,149,347	3,589,293	4,049,280	4,672,596	70,530				
Total liabilities <sup>(5)</sup>	5,214,310	5,723,133	6,284,987	6,860,592	7,571,180	114,282				
Interest-bearing liabilities	4,099,844	4,556,099	4,996,433	5,445,789	6,094,406	91,991				
Borrowings	1,465,670	1,656,860	1,820,630	1,906,290	2,153,911	32,512				
Stockholders' equity	617,999	671,303	752,016	828,810	919,753	13,883				
Profitability:										
Net profit as a percentage of:										
Average total assets	1.31	%	1.50	%	1.57	%	1.59	%	1.20	%
Average stockholders' equity	12.37		14.31		14.68		14.78		11.07	
Average stockholders' equity (including preference share capital)	12.30		14.23		14.61		14.71		11.03	
Dividend payout ratio <sup>(6)</sup>	24.89		24.02		24.06		23.67		28.56	
Spread <sup>(7)</sup>	2.06		2.35		2.58		2.63		2.64	
Net interest margin <sup>(8)</sup>	2.83		3.20		3.44		3.55		3.52	
Cost-to-income ratio <sup>(9)</sup>	70.96		65.78		61.51		60.49		60.52	
Cost-to-average assets ratio <sup>(10)</sup>	5.07		4.72		4.36		4.55		4.80	
Capital <sup>(11)</sup> :										
Average stockholders' equity as a percentage of average total assets	10.60	%	10.50	%	10.69	%	10.78	%	10.83	%
Average stockholders' equity (including preference share capital) as a percentage of average total assets	10.66	%	10.55	%	10.74	%	10.82	%	10.87	%
Asset quality:										
Net restructured assets as a percentage of net customer assets	1.40	%	1.58	%	2.70	%	2.41	%	1.64	%

Net non-performing assets as a percentage of net customer assets <sup>(12)</sup>	0.79	%	0.74	%	0.99	%	1.54	%	2.66	%
Provision on restructured assets as a percentage of gross restructured assets	8.81	%	7.87	%	8.42	%	7.23	%	7.68	%
Provision on non-performing assets as a percentage of gross non-performing assets	74.56	%	72.80	%	63.72	%	55.59	%	49.60	%
Provision as a percentage of gross customer assets <sup>(13)</sup>	2.98	%	2.63	%	2.47	%	2.89	%	3.36	%



- (1) Rupee amounts at year-end fiscal 2016 have been translated into U.S. dollars using the exchange rate of Rs. 66.25 = US\$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2016.

In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure (2) and Development Fund and other related deposits have been re-grouped to Other Assets. Accordingly, figures of all the previous periods presented have been re-grouped to conform to the current year presentation.

- (3) Includes balance in employee stock options outstanding which will be transferred to “Equity share capital” or “Reserves and surplus” on exercise/lapse of options.

The average balances are the sum of daily average balances outstanding, except for the average balances of (4) overseas branches of ICICI Bank which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances.

(5) Includes preference share capital and minority interest, but does not include stockholders’ equity.

- (6) Represents the ratio of total dividends paid on equity share capital, exclusive of dividend tax, as a percentage of net profit.

Represents the difference between yield on average interest-earning assets and cost of average interest-bearing (7) liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

Represents the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing (8) liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than spread, and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than spread.

- (9) Represents the ratio of non-interest expenses to total income. Total income represents the sum of net interest income and non-interest income.

(10) Represents the ratio of non-interest expenses to average total assets.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India’s guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of (11) 13.0%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India’s guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of 12.9%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%.

- (12) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

(13) Includes general provision on standard assets.

- (14) Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

Selected U.S. GAAP Financial Data

The following table sets forth, certain selected financial data under generally accepted accounting principles adopted in the United States.

120

Edgar Filing: ICICI BANK LTD - Form 20-F

	At or for the year ended March 31,					
	2012	2013	2014	2015	2016	2016 <sup>(1)</sup>
	(in millions other than per equity share))					
Total income <sup>(2)</sup>	Rs. 188,192	Rs. 245,463	Rs. 274,705	Rs. 319,924	Rs. 371,339	US\$ 5,605
Net income/(loss) attributable to ICICI Bank's shareholders'	70,811	101,052	101,421	116,913	73,037	1,102
Total assets	5,506,134	5,860,331	6,485,471	7,130,592	7,867,628	118,757
ICICI Bank's stockholders' equity	633,518	736,566	801,882	938,253	981,675	14,818
Other comprehensive income/(loss)	(7,257 )	14,431	2,157	46,436	44,486	671
Per equity share						
Net income/(loss) from continuing operation-basic <sup>(3)</sup>	12.29	17.53	17.57	20.21	12.58	0.19
Net income/(loss) from continuing operation-diluted <sup>(4)</sup>	12.24	17.44	17.50	20.05	12.50	0.19
Dividend <sup>(5)</sup>	2.80	3.30	4.00	4.60	5.00	0.08

(1) Rupee amounts for fiscal 2016 have been translated into U.S. dollars using the exchange rate of Rs. 66.25 = US\$ 1.00 as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2016.

(2) Represents net interest income plus non-interest income.

(3) Represents net income/(loss) before dilutive impact.

Represents net income/(loss) adjusted for full dilution. Options to purchase 64,353,000, 62,447,200, 73,376,100, 53,612,700 and 96,243,300 equity shares granted to employees at a weighted average exercise price of Rs. 200.7, (4)Rs. 193.5, Rs. 207.2, Rs. 248.6 and Rs. 276.0 were outstanding at year-end fiscal 2012, 2013, 2014, 2015 and 2016 respectively, but were not included in the computation of diluted earnings per share as these options were anti-dilutive.

In India, dividends for a fiscal year are normally declared and paid in the following year. We declared a dividend of Rs. 3.30 per equity share for fiscal 2012, which was paid in fiscal 2013. We declared a dividend of Rs. 4.00 per equity share for fiscal 2013, which was paid in fiscal 2014. We declared a dividend of Rs. 4.60 per equity share for (5)fiscal 2014, which was paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which was paid in fiscal 2016. We declared a dividend of Rs. 5 per equity share for fiscal 2016, which has been paid in fiscal 2017. The dividend per equity share is based on the total amount of dividends paid during the year, exclusive of dividend tax.

(6) Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

## Operating and Financial Review and Prospects

You should read the following discussion and analysis of our financial condition and results of operations together with our audited consolidated financial statements. The following discussion is based on our audited consolidated financial statements and accompanying notes prepared in accordance with Indian GAAP, which varies in certain significant respects from U.S. GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional U.S. GAAP information, see notes 20 and 21 to our consolidated financial statements included herein.

## Executive Summary

### Introduction

We are a diversified financial services group offering a wide range of banking and financial services to corporate and retail customers through a variety of delivery channels. We are the largest private sector bank in India in terms of total assets on a consolidated basis. Apart from banking products and services, we offer life and general insurance, asset management, securities broking and private equity products and services through specialized subsidiaries. Our total assets at year-end fiscal 2016 were Rs. 9,187.6 billion. Our consolidated capital and reserves at year-end fiscal 2016 were Rs. 941.1 billion. In fiscal 2016, our net profit was Rs. 101.8 billion compared to Rs. 122.5 billion in fiscal 2015.

Our primary business consists of commercial banking operations for retail and corporate customers. Our commercial banking operations for retail customers consist of retail lending and deposit taking and distribution of insurance and investment products. We deliver our products and services through a variety of channels, including bank branches, ATMs, call centers, internet, social media and mobile phones. We had a network of 4,450 branches and 13,766 ATMs in India at year-end fiscal 2016. We provide a range of commercial banking and project finance products and services, including loan products, fee and commission-based products and services, deposit products and foreign exchange and derivatives products to India's leading corporations, middle market companies and small and medium enterprises. We also offer agricultural and rural banking products. We earn interest and fee income from our commercial banking operations.

In our international banking operations, our primary focus is on offering products and services to persons of Indian origin, Indian businesses, select local businesses and multi-national corporations and insured mortgage products in our Canada subsidiary as well as offering deposit products to the larger community. ICICI Bank's overseas branches take deposits, raise borrowings and make loans primarily to Indian companies for their overseas operations as well as for their foreign currency requirements in India. They also engage in advisory and syndication activities for fund-raising by Indian companies and their overseas operations. We currently have banking subsidiaries in the United Kingdom and Canada, branches in China, Singapore, Dubai International Finance Centre, Sri Lanka, Hong Kong, Qatar Financial Centre, the United States, South Africa and Bahrain and representative offices in the United Arab Emirates,

Bangladesh, Malaysia and Indonesia. Our subsidiary in the United Kingdom has established a branch in each of Antwerp, Belgium and Frankfurt, Germany.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services for corporate customers, such as forward contracts and interest rate and currency swaps. We take advantage of movements in markets to earn treasury income. Our overseas branches and subsidiaries also have investments in credit derivatives, bonds of non-India financial institutions and in asset backed securities.

We are also engaged in insurance, asset management, securities business and private equity fund management through specialized subsidiaries. Our subsidiaries ICICI Prudential Life Insurance Company, ICICI Lombard General Insurance Company and ICICI Prudential Asset Management Company provide a wide range of life and general insurance and asset management products and services to retail and corporate customers. ICICI Prudential Life Insurance Company was the largest private sector life insurance company in India during fiscal 2016, with a market share of 11.3% based on new business written (on a retail weighted received premium basis) according to the Life Insurance Council. ICICI Lombard General Insurance Company was the largest private sector general insurance company in India during fiscal 2016, with a market share of 8.4% in gross written premium according to the General Insurance Council of India. ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2016 according to Association of Mutual Funds in India. We cross-sell the products of our insurance and asset management subsidiaries and other asset management companies to our retail and corporate customers. Our subsidiaries ICICI Securities Limited

and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities owns icidirect.com, a leading online brokerage platform. ICICI Securities Limited has a subsidiary in the United States, ICICI Securities Holdings Inc., which in turn has an operating subsidiary in the United States, ICICI Securities Inc., engaged in brokerage services. Our private equity fund management subsidiary ICICI Venture Funds Management Company manages funds that make private equity investments.

## Business environment

Our loan portfolio, financial condition and results of operations have been and, in the future, are expected to be influenced by economic conditions in India, global economic developments affecting the business activities of our corporate customers, such as changes in commodity prices, conditions in global financial markets, economic conditions in the United States and in foreign countries where we have a significant presence or which impact the Indian economy and global markets, and evolving global and domestic regulations. For ease of understanding the following discussion of our results of operations, you should consider these macroeconomic factors and other key developments.

## Trends in fiscal 2016

The global economic environment remained subdued during fiscal 2016. The U.S. Federal Reserve raised interest rates by 25 basis points in December 2015, while other advanced and emerging economies continued to pursue an accommodative monetary policy. There was a slowdown in economic growth in China to 6.9% in calendar year 2015 compared to 7.3% in calendar year 2014, and a depreciation of the Chinese currency. Commodity prices continued to weaken given low demand and excess supply. The price of the benchmark Brent crude fell from US\$ 55 per barrel at end-March 2015 to a low of US\$ 28 per barrel in mid-January 2016 but recovered thereafter to US\$ 40 per barrel at end-March 2016. Metal prices also remained subdued during the year. The global financial markets experienced significant volatility and several emerging market economies saw a depreciation of their currencies during the period.

In India, economic trends remained mixed following uneven recovery in growth during fiscal 2016. India's gross domestic product showed a gradual improvement and grew by 7.6% during fiscal 2016, compared to a growth of 7.2% during fiscal 2015. As per industry-wise growth estimates gross value added, the agriculture sector grew by 1.2%, the industrial sector by 7.4% and the services sector by 8.9% during fiscal 2016 compared to a decline by 0.2% in the agriculture sector and growth of 5.9% and 10.3% in the industrial and services sectors respectively during fiscal 2015. However, the corporate sector continues to experience challenges due to lower than anticipated cash flow generation and high leverage. Corporate investment continues to be subdued, and bank credit growth continues to be moderate. Additionally, the global economic environment continues to be volatile, with concerns about a global growth slowdown, including in large emerging markets. In fiscal 2016, a significant decline in commodity prices, including metals, has negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Monsoon rainfall was lower by 14.0% compared to the long-term average in fiscal 2016, a deficit for the second consecutive year leading to drought conditions in several parts of the country. Private investments

remained subdued due to low capacity utilization and large number of stalled projects. Unsold inventory in the residential construction sector remained high. Industrial production, as measured by the index of industrial production which includes mining, manufacturing and electricity, reflected a moderation in growth to 2.4% in fiscal 2016 compared to a growth of 2.8% in fiscal 2015. The moderation was largely due to a slowdown in manufacturing and electricity sectors. The capital goods production index declined by 2.9% in fiscal 2016 compared to a growth of 6.3% in fiscal 2015, reflecting a slowdown in investments. Corporate sales remained low, though earnings showed an improvement due to a decline in input costs supported by a decline in manufacturing sector inflation.

Inflation remained moderate during fiscal 2016. Retail inflation, as measured by the consumer price index eased from 5.3% in March 2015 to a low of 3.7% in July-August 2015, and increased subsequently to 4.8% in March 2016. Core consumer price index inflation, excluding food and fuel products, increased from 4.2% in March 2015 to 4.7% in March 2016. Inflation, as measured by the wholesale price index, remained negative through fiscal 2016 and declined by an average 2.5% year-on-year in fiscal 2016, led by a decline in fuel and manufacturing sector inflation by 11.7% and 1.1% respectively.

With retail inflation remaining within its target range, the Reserve Bank of India reduced the repo rate by 75 basis points during fiscal 2016 with a 25 basis points reduction from 7.50% to 7.25% in June 2015 and another 50 basis points reduction to 6.75% in September 2015. In April 2016, the Reserve Bank of India

reduced the repo rate by a further 25 basis points to 6.50%. This took the cumulative reduction in the repo rate since January 2015, when the policy rate reduction cycle began, to 150 basis points.

Trends in merchandise trade remained muted during fiscal 2016. Exports declined by 15.6% to US\$ 261.1 billion and imports declined by 15.3% to US\$ 379.6 billion. The decline was primarily due to continued weak global demand and low global commodity prices. India's current account deficit was at 1.4% of gross domestic product during the first nine months of fiscal 2016. Foreign direct investments increased from US\$ 24.8 billion in the first nine months of fiscal 2015 to US\$ 33.7 billion in the first nine months of fiscal 2016. There was a net outflow of investments by foreign portfolio investors of US\$ 4.0 billion during the first nine months of fiscal 2016, with a net outflow of US\$ 4.3 billion in equity markets and a net inflow of US\$ 0.3 billion in debt markets. The benchmark S&P BSE Sensex declined by 9.4% during fiscal 2016 to close at 25,342. The Rupee depreciated from Rs. 62.3 per U.S. dollar at March 31, 2015 to Rs. 66.4 per U.S. dollar at March 31, 2016. Yields on the benchmark 10-year government securities remained in the range of 7.7% to 7.8% for most part of the year but eased towards the end of the year to 7.4% at March 31, 2016.

During fiscal 2016, the Government announced several policy measures. The Government introduced a composite cap on foreign investments which is applicable across all sectors and has brought different kinds of foreign investments under a single combined limit. Further, the list of economic activities eligible for foreign investment under the automatic route was expanded. In the area of financial inclusion, apart from the Pradhan Mantri Jan-Dhan Yojana which was announced in fiscal 2015, the government announced several new schemes including pension and insurance schemes, a financial scheme for micro, small and medium enterprises and a scheme to support start-ups. The Government also announced a roadmap for public sector banks. Key proposals announced in the Union Budget for fiscal 2017 included a plan to introduce a comprehensive code on resolution of financial firms; operationalizing the Bank Board Bureau for public sector banks; and allowing foreign investment in the insurance and pension sectors under the automatic route. In May 2016, the Insolvency and Bankruptcy Code, 2016 was enacted to provide clarity and consistency in the insolvency process. As the implementation of the Code will require setting up of requisite infrastructure the Code will take some time to get implemented. See also "*Overview of the Indian Financial Sector—Structural Reforms—Legislative Framework for Recovery of Debts due to Banks—Insolvency and Bankruptcy Code, 2016*".

Non-food credit growth on the banking sector remained subdued during fiscal 2016. Growth moderated from 12.7% year-on-year at April 3, 2015 to 10.3% at April 1, 2016. Credit growth was mainly driven by the retail segment. Based on sector-wise credit deployment data, growth in credit to industry was 2.7%, services 9.1%, retail 19.4% and agriculture 15.3% year-on-year at March 18, 2016. Deposit growth in the banking system also remained muted in the range of 9-12% during the year. Total deposits grew by 9.7% year-on-year at April 1, 2016 compared to a growth of 12.1% at April 3, 2015. Demand deposits grew by 15.0% year-on-year at April 1, 2016 compared to a growth of 23.7% at April 3, 2015. Time deposits grew by 9.1% year-on-year at April 1, 2016 compared to a growth of 10.9% at April 3, 2015.

The operating environment for the Indian corporate sector continued to remain challenging in view of the subdued global scenario, gradual nature of the domestic economic recovery, continued weak corporate investment activity, delays and shortfalls in cash flow generation from investments and high leverage. Capacity utilization remained below



optimal levels due to weak demand. The decline in commodity prices had an impact on borrowers in commodity-linked sectors, such as iron & steel, oil & gas extraction and cement. Due to the uneven recovery in growth, the expected improvement in the operating environment did not commence in fiscal 2016. These conditions led to increasing levels of non-performing loans for the Indian banking sector.

The first year retail premium underwritten in the life insurance sector (on weighted received premium basis) grew by 8.1% to Rs. 440.8 billion in fiscal 2016 compared to Rs. 407.7 billion in fiscal 2015. Gross premium of the non-life insurance sector (excluding specialized insurance institutions) grew by 13.6% to Rs. 915.7 billion during fiscal 2016 compared to Rs. 805.8 billion during fiscal 2015. The average assets under management of mutual funds increased by 13.9% from Rs. 11,886.9 billion for the three months ended March 31, 2015 to Rs. 13,534.4 billion for the three months ended March 31, 2016.

Banking regulation underwent several changes during fiscal 2016. Some important regulatory developments impacting the banking sector were the following:

In April 2015, the Reserve Bank of India issued revised guidelines on priority sector lending, based on the recommendations of the internal working group set up to revisit the priority sector lending guidelines. These revised priority sector guidelines are applicable from year ended fiscal 2016. The overall target for priority sector lending would continue to be 40.0% of adjusted net bank credit. Sub-

targets for direct and indirect lending to agriculture were combined and sub-targets of 8.0% for lending to small and marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets are to be achieved in a phased manner by March 2017. Sectors qualifying for priority sector lending have been broadened to include medium-size enterprises, social infrastructure and renewable energy. Priority sector lending achievements will be evaluated on a quarterly average basis from fiscal 2017. According to the guidelines, foreign banks with less than 20 branches will also now be required to meet priority sector lending targets of 40.0% of adjusted net bank credit, on par with domestic banks and foreign banks with 20 or more branches by fiscal 2020. Further, in July 2015, the Reserve Bank of India directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for the shortfall. The banking system's average level will be notified at the beginning of each year. The target for fiscal 2016 was set at 11.57%;

In April 2015, the Reserve Bank of India allowed banks to introduce an early withdrawal facility in term deposits as a distinguishing feature for offering differential rates of interest. All term deposits of individuals of Rs. 1.5 million and below will have a premature withdrawal facility. For other term deposits, customers have the option to choose between term deposits either with or without premature withdrawal facility;

In May 2015, the Reserve Bank of India allowed banks to spread the shortfall from the sale of non-performing assets to asset reconstruction companies over a period of two years, in the event the sale value is lower than the net book value. This dispensation was available for non-performing assets sold up to March 31, 2016. However, as per guidelines issued in June 2016 by the Reserve Bank of India, the dispensation was extended up to March 31, 2017, and the period to spread over the shortfall was restricted to four quarters from the quarter in which the sale took place. For assets sold to asset reconstruction companies during fiscal 2017, in case full provisioning remains to be made as on March 31, 2017, on close of financial year, banks should debit the 'other reserves' component of the balance sheet (which are reserves created for the un-provided amount at the end of the financial year). Banks should proportionately reverse the debits to 'other reserves' and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year;

In May 2015, the Reserve Bank of India introduced a framework for dealing with loan frauds. The guidelines relate to detection, reporting and monitoring of fraud accounts. They prescribe continuous monitoring and red flagging of accounts based on early warning signals for accounts above Rs. 500.0 million. Frauds have to be reported on the Reserve Bank of India central repository of information on large credits for dissemination to other banks and decision-making by the joint lenders' forum in case of consortium or multiple banking arrangements. Restructuring or grant of additional facilities would not be permitted in case of fraud or red flagged accounts;

In June 2015, the Reserve Bank of India issued guidelines on the compensation of non-executive directors of private sector banks. According to the guidelines, the board of directors, in consultation with its remuneration committee, should formulate and adopt a comprehensive compensation policy for the non-executive directors (other than the part-time non-executive chairman). In the policy, the board may provide for the payment of compensation in the form of a profit related commission, subject to the bank making profits. Such compensation should not exceed Rs. 1.0 million per annum for each director. Further, private sector banks have to obtain prior approval of the Reserve Bank of India for paying remuneration to the part-time non-executive chairman;

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring providing banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones. The guidelines provide for conversion of debt into equity and acquisition of majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit). On transfer of ownership to a new sponsor, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities extended by banks to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making

provisions for any diminution in fair value of the existing debt. In February 2016, the Reserve Bank of India further revised guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard on divesting 26.0% of the shares of the company, lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters;

In July 2015, the Reserve Bank of India issued guidelines on the discount rate for computing the present value of future cash flows of a restructured account. The guideline prescribes that a rate equal to the actual interest rate charged to the borrower before restructuring should be used to discount the future cash flows for the purpose of determining the diminution of fair value of the loan on restructuring;

In August 2015, the Insurance Regulatory and Development Authority of India issued regulations on registration of corporate agents for the sale of insurance products where an agent can tie up with up to three insurance companies each in life, non-life and health insurance sectors;

Under the Framework for Revitalising Distressed Assets in the economy, in September 2015, the Reserve Bank of India issued revisions to the guidelines on Joint Lenders' Forum and corrective action plan. According to the revisions, the Joint Lenders' Forum can initiate strategic debt restructuring in the event the corrective action plan fails. All lenders would have to provide additional finance once agreed by the Joint Lenders' Forum unless they exit. An empowered group of lenders would be formed which will approve the rectification/restructuring package under the corrective action plan. In February 2016, a further revision was issued requiring that the corrective action plan be approved by 50% of the lenders, as compared to the earlier requirement of 60% of lenders;

In December 2015, the Reserve Bank of India issued final guidelines on the computation of lending rates based on marginal cost of funds. The Marginal Cost of Funds based Lending Rate is applicable on incremental lending from April 1, 2016 and it is a tenor linked benchmark. The guidelines clarify the methodology to compute the marginal cost of funds based lending rate, which comprises of marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium. The guidelines specified categories of loans which can be priced without linkage to the marginal cost of funds based lending rate. Banks have to review and publish their marginal cost of funds based lending rate every month on a pre-announced date for different maturities ranging from overnight rate to up to one year. The periodicity of reset shall be one year or lower. Loans linked to the base rate can continue till repayment or renewal with existing borrowers having the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. Banks were earlier not permitted to extend fixed rate loans at a rate of interest lower than the base rate. This restriction will no longer apply under the new guidelines;

During the three months ended December 31, 2015, against the backdrop of continuing challenges in corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. The Reserve Bank of India also directed banks to make an additional provision of 10% during the year ending March 31, 2017 in respect of restructured loan accounts highlighted by the Reserve Bank of India; and

In March 2016, the Reserve Bank of India issued guidelines expanding the eligibility for common equity Tier 1 capital to include 45.0% of revaluation reserves, which earlier qualified for inclusion in Tier 2 capital, and 75.0% of foreign currency translation reserves. The guidelines further allowed recognition of deferred tax assets arising due to timing differences, excluding accumulated losses, as Tier 1 capital up to 10.0% of a bank's common equity Tier 1 capital, in line with the guidelines of the Basel Committee on Banking Supervision.

#### Business overview

While assessing our performance, we monitor key financial variables such as movement in yield on assets, cost of funds and net interest margin, movement in fee income, cost ratios, loan loss provisions and return on assets and equity. We also monitor key business indicators such as deposit growth, funding mix, loan disbursements and loan delinquency trends. We also analyze changes in economic indicators such as interest

rates, liquidity and exchange rates. In addition to these indicators, we monitor other non-financial indicators such as quality of customer service and the extent and nature of customer complaints and estimates of market share in key product lines.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results. See also “—Executive Summary—Business environment—Trends in fiscal 2016”.

Banking sector growth trends in both credit and deposits have been subdued. Trends in systemic liquidity, interest rates and inflation will influence deposit growth, especially with respect to low cost savings and current account deposits. Our ability to grow our low cost deposit base may be impacted by increasing competition for such deposits from existing banks and new entrants. The slowdown in fresh corporate investments and new infrastructure projects has impacted our related fee income revenue streams. Given these developments, we have adopted a balanced approach to growth, risk management and profitability. We have continued our focus on driving momentum in the retail segment while adopting a selective approach to corporate lending. We have also focused on sustaining the improvements in our deposit profile and cost ratios and managing the quality of our portfolio. As we grow our

businesses, meeting customer expectations on service quality has been a critical element of our strategy.

Due to the increased level of risks in the business environment, the Indian banking system in general has experienced an increase in the level of additions to non-performing loans including slippages from restructured loans. During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including for us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing loans and provisions increased significantly in the Indian banking system, including us, during the second half of fiscal 2016. Further, there are uncertainties in respect of certain sectors like power, mining, iron & steel, cement and rigs due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. In view of the uncertainties relating to these sectors and the time that it may take to resolve our exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and to certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP. A discussion of our financial performance in fiscal 2016 is given below:

Operating profit before provisions increased by 16.3% from Rs. 228.7 billion in fiscal 2015 to Rs. 266.1 billion in fiscal 2016 primarily due to an increase in net interest income and non-interest income, offset, in part, by an increase in non-interest expenses.

Net interest income increased by 11.7% from Rs. 226.5 billion in fiscal 2015 to Rs. 253.0 billion in fiscal 2016 reflecting an increase of 12.4% in the average volume of interest-earning assets.

Non-interest income increased by 19.4% from Rs. 352.5 billion in fiscal 2015 to Rs. 421.0 billion in fiscal 2016 primarily due to an increase in income from treasury-related activities and premium and other operating income of our insurance subsidiaries. Income from treasury-related activities for fiscal 2016 included gains from sale of shares of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited amounting to Rs. 28.7 billion. Premium and other operating income of our insurance subsidiaries increased by 19.5% from Rs. 220.8 billion in fiscal 2015 to Rs. 263.8 billion in fiscal 2016 primarily reflecting an increase in business volume.

Non-interest expenses increased by 16.5% from Rs. 350.2 billion in fiscal 2015 to Rs. 407.9 billion in fiscal 2016, primarily due to an increase in expenses pertaining to insurance business and other operating expenses.

Provisions and contingencies (excluding provision for tax) increased from Rs. 45.4 billion in fiscal 2015 to Rs. 123.1 billion in fiscal 2016. This increase was primarily due to an increase in provisions for non-performing assets and collective contingency and related reserve. The net non-performing assets ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016. Provisions for non-performing assets are likely to remain elevated in the near term due to high corporate sector leverage, slow improvement in corporate cash flows, the time required for resolution of stressed assets and the evolving regulatory approach.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank's exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP.

The income tax expense (including wealth tax) decreased by 37.4% from Rs. 54.0 billion in fiscal 2015 to Rs. 33.8 billion in fiscal 2016 primarily due to lower tax applicable on sale of equity investments and set-off of capital losses carried forward from earlier periods.

As a result of the above, the profit after tax decreased by 16.9% from Rs. 122.5 billion in fiscal 2015 to Rs. 101.8 billion in fiscal 2016.



Net-worth (equity share capital and reserves and surplus) increased from Rs. 847.0 billion at year-end fiscal 2015 to Rs. 941.1 billion at year-end fiscal 2016 primarily due to accretion to reserves from profit for the year and creation of revaluation reserves on fixed assets. Total assets increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016. Total deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Savings account deposits increased by 18.3% from Rs. 1,221.1 billion at year-end fiscal 2015 to Rs. 1,444.6 billion at year-end fiscal 2016. Current account deposits increased by 19.6% from Rs. 504.6 billion at year-end fiscal 2015 to Rs. 603.4 billion at year-end fiscal 2016. Term deposits increased by 15.4% from Rs. 2,133.9 billion at year-end fiscal 2015 to Rs. 2,462.8 billion at year-end fiscal 2016. The current and savings account ratio (ratio of current and saving deposit to total deposit) increased from 44.7% at year-end fiscal 2015 to 45.4% at year-end fiscal 2016. Total advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016. Our retail advances increased by 21.9% from Rs. 1,956.9 billion at year-end fiscal 2015 to Rs. 2,385.7 billion at year-end fiscal 2016.

ICICI Bank's branch network in India increased from 4,050 branches at year-end fiscal 2015 to 4,450 branches at year-end fiscal 2016. The ATM network of the Bank increased from 12,451 ATMs at year-end fiscal 2015 to 13,766 ATMs at year-end fiscal 2016.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of 13.0%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2016 were: common equity Tier 1 risk-based capital ratio of 12.9%; Tier 1 risk-based capital ratio of 13.1%; and total risk-based capital ratio of 16.6%.

## Business outlook

Growth in India's gross domestic product has recovered from 5.6% in fiscal 2013 and 6.6% in fiscal 2014 to 7.2% in fiscal 2015 and 7.6% in fiscal 2016. The gradual improvement in growth was supported by a moderation in inflation, strengthened external sector position and a relatively stable exchange rate. The corporate and small and medium enterprise segments, however, continue to experience challenges reflected in low profitability and subdued investment activity. During fiscal 2016, credit and deposit growth in the Indian banking system continued to remain muted. This was accompanied by an increase in the level of non-performing loans. See also "*Risk Factors—Risks Relating to India and other Economic and Market Risks—A prolonged slowdown in economic growth or rise in interest rates in India could cause our business to suffer*".

The operating environment for the Indian corporate sector continues to remain challenging, in view of the gradual nature of the economic recovery, continued weak corporate investment activity, delays and shortfalls in cash flow generation from investments and high leverage. The decline in commodity prices has had an impact on borrowers in commodity-linked sectors, such as iron & steel, coal and petroleum oil related activities. Subdued capital investment in the economy have impacted corporations in investment-linked sectors like construction. Due to the increased level of risks in the business environment, the Indian banking system in general has experienced an increase in the level of additions to non-performing loans including slippages from restructured loans. During the three months ended December 31, 2015, against the backdrop of continuing challenges in corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing loans and provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016. The Reserve Bank of India has indicated that it will continue to monitor the portfolio of banks to identify stress and address all issues by March 31, 2017. Our non-performing loans and provisions are expected to remain elevated in the near term. Over the longer-term, we see favorable prospects for the Indian economy. The Government has announced several policy initiatives in the areas of foreign investments, promoting manufacturing, efficiency of government services, fiscal consolidation and long-term projects for improving infrastructure. India's strong domestic consumption and investment drivers will continue to support healthy rates of growth. Increasing household incomes and consumption is expected to lead to opportunities in retail savings, investment and loan products, significant industrial and infrastructure investment potential to lead to opportunities in project and corporate finance, and increasing global linkages to lead to opportunities in international banking for Indian corporations and non-resident Indians.

In the life insurance sector, the new business retail weighted premium for the industry increased by 8.1% during fiscal 2016 compared to a decline of 10.3% during the year ended fiscal 2015. The private sector life insurance companies saw a growth of 13.6% in fiscal 2016 compared to a growth of 15.9% in fiscal 2015 on new business retail weighted premium basis. In the general insurance sector gross premium (excluding specialized insurance institutions) grew by 13.6% in fiscal 2016. See also "*Business—Overview of Our Products and Services—Insurance*".

Considering the challenges in the operating environment, we have over the years re-balanced our deposit profile, improved cost efficiency, scaled up retail loan growth, calibrated corporate loan growth and maintained high capital adequacy ratios. Our objective going forward will be to sustain our robust funding profile and improvements in our operating performance while continuing to closely monitor credit quality. We will focus on reducing concentration risks in our portfolio and seek resolution and recovery of exposures impacted by the economic environment. Meeting customer expectations on service quality through digital initiatives and a strong customer franchise will be a critical element of our strategy. We will also continue to focus on unlocking value in our subsidiaries and further improve capital efficiency.

The success of our strategy depends on several factors, including our ability to grow our low cost deposit base, grow our loan book profitably, contain non-performing and restructured loans, maintain regulatory compliance in an evolving regulatory environment, address regulators' assessments of and observations on our operations, and compete effectively in the Indian corporate and retail financial services market. Regulations governing the financial sector in India, including banking, insurance and asset management, continue to evolve, with a potential impact on the growth and profitability of financial services groups such as us. Our overseas branches are primarily funded from wholesale sources and global financial market conditions may impact our ability to raise funds and grow the business of our overseas branches. See also "*Risk Factors—Risks Relating to*

*Our Business—We experienced rapid international growth in earlier years which has increased the complexity of the risks that we face*". The success of our strategy is also subject to the overall regulatory and policy environment in which we operate including the direction of monetary policy. Our ability to execute our strategy will also depend on the liquidity and interest rate environment. See also "*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*". With regard to our overseas banking subsidiaries, recent global developments, including decline in crude oil prices and the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum, are expected to slow down economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries.

For a detailed discussion of risks that we face in our business please refer to "*Risk Factors*".

#### Average Balance Sheet

The average balances are the sum of daily average balances outstanding, except for the average balances of our overseas branches which are calculated on fortnightly basis for period till September 2014. From October 2014, average balances of the foreign branches are also averages of daily balances. The yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. The cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities. The average balances of advances include non-performing advances and are net of allowance for loan losses. We have re-calculated tax-exempt income on a tax-equivalent basis. Tax exempt income primarily consists of dividend income and interest income on tax free bonds. For fiscal 2016, we have applied an effective marginal tax rate of 26% for the purpose of this recomputation. Other interest income has been bifurcated into rupee and foreign currency amounts in order to facilitate the explanation of movements of rupee and foreign currency spreads and margins. The rupee portion of other interest income primarily includes interest on income tax refunds and income from interest rate swaps. The foreign currency portion of other interest income primarily includes income from interest rate swaps in foreign currencies. These swaps are not part of our portfolio and are undertaken by us to manage the market risk arising from our assets and liabilities. Previous year figures have been re-grouped/re-classified where necessary to conform to current period classification.

The following table sets forth, for the periods indicated, the average balances of the assets and liabilities outstanding, which contribute to the major components of interest income, interest expense and net interest income.

Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31, 2014		2015			2016		Interest income/ expense	Av yie cos
	Average balance	Interest income/ expense	Average yield/cost	Average balance	Interest income/ expense	Average yield/cost	Average balance		
(in millions, except percentages)									
Assets:									
Advances:									
Rupee	Rs.2,306,443	Rs.281,158	12.19%	Rs.2,655,787	Rs.321,025	12.09%	Rs.3,117,572	Rs.353,636	11.1
Foreign currency	1,282,850	56,051	4.37	1,393,493	59,572	4.28	1,555,024	61,873	3.9
Total advances	3,589,293	337,209	9.39	4,049,280	380,597	9.40	4,672,596	415,509	8.9
Investments:									
Rupee <sup>1</sup>	1,633,321	131,254	8.04	1,746,884	139,343	7.98	1,863,861	143,498	7.7
Foreign currency	97,742	2,368	2.42	76,461	1,107	1.45	105,495	1,790	1.6
Total investments	1,731,063	133,622	7.72	1,823,345	140,450	7.70	1,969,356	145,288	7.9
Other interest-earning assets:									
Rupee <sup>1</sup>	396,525	14,918	3.76	436,451	16,372	3.75	507,352	19,027	3.7
Foreign currency	113,745	694	0.61	140,116	1,092	0.78	97,331	655	0.6
Total other interest-earning assets	510,270	15,612	3.06 %	576,567	17,464	3.03 %	604,683	19,682	3.3
Other interest income:									
Rupee		4,115			5,624			6,771	
Foreign currency		6,835			8,156			7,730	
Total other interest income		10,950			13,780			14,501	
Interest-earning assets:									
Rupee	4,336,288	431,445	9.95	4,839,122	482,364	9.97	5,488,785	522,932	9.9
Foreign currency	1,494,337	65,947	4.41	1,610,070	69,927	4.34	1,757,850	72,048	4.3
Total interest-earning assets	5,830,625	497,393	8.53	6,449,192	552,291	8.56	7,246,635	594,980	8.5
Fixed assets	54,752			56,101			59,269		

Edgar Filing: ICICI BANK LTD - Form 20-F

Other assets	1,151,625				1,184,109				1,185,038	
Total non-earning assets	1,206,377				1,240,210				1,244,307	
Total assets	Rs. 7,037,002	Rs. 497,393			Rs. 7,689,402	Rs. 552,291			Rs. 8,490,942	Rs. 594,980
Liabilities:										
Savings account deposits:										
Rupee	Rs. 865,748	Rs. 34,336	3.97 %		Rs. 981,430	Rs. 39,012	3.98 %		Rs. 1,121,213	Rs. 44,730
Foreign currency	82,051	1,025	1.25		76,724	849	1.11		86,770	957
Total savings account deposits	947,800	35,361	3.73		1,058,154	39,861	3.77		1,207,983	45,687
Time deposits:										
Rupee	1,541,494	135,375	8.78		1,693,728	148,279	8.75		1,891,635	155,382
Foreign currency	392,768	13,454	3.43		461,456	19,583	4.24		456,709	18,921
Total time deposits	1,934,262	148,829	7.69		2,155,184	167,862	7.79		2,348,344	174,303
Other demand deposits:										
Rupee	246,554				277,798				326,919	
Foreign currency	47,187				48,364				57,249	
Total other demand deposits	293,741				326,162				384,168	
Total deposits:										
Rupee	2,653,796	169,711	6.40		2,952,956	187,291	6.34		3,339,767	200,112
Foreign currency	522,006	14,479	2.77		586,544	20,432	3.48		600,728	19,878
Total deposits	3,175,802	184,190	5.80		3,539,500	207,723	5.87		3,940,495	219,990
Borrowings:										
Rupee	678,217	74,740	11.02		717,975	75,376	10.50		815,910	80,749
Foreign currency	1,142,414	38,176	3.34		1,188,315	40,083	3.37		1,338,001	39,226
Total borrowings	1,820,630	112,916	6.20		1,906,290	115,459	6.06		2,153,911	119,975
Interest-bearing liabilities:										
Rupee	3,332,013	244,451	7.34		3,670,931	262,667	7.16		4,155,677	280,861
Foreign currency	1,664,419	52,655	3.16		1,774,859	60,515	3.41		1,938,729	59,104
Total interest-bearing liabilities	4,996,433	297,106	5.95		5,445,790	323,182	5.93		6,094,406	339,965
Preference share capital	3,500				3,500				3,500	
	1,285,054				1,411,302				1,473,283	

Other liabilities						
Total liabilities	6,284,987	297,106	6,860,592	323,182	7,571,189	339,965
Stockholders' equity	752,016		828,810		919,753	
Total liabilities and stockholders' equity	Rs. 7,037,002	Rs. 297,106	Rs. 7,689,402	Rs. 323,182	Rs. 8,490,942	Rs. 339,965

In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure 1 and Development Fund and other related deposits have been re-grouped to other interest earning assets. Accordingly, figures of all the previous periods presented have been re-grouped to conform to the current year presentation.

#### Analysis of Changes in Interest Income and Interest Expense: Volume and Rate Analysis

The following table sets forth, for the periods indicated, the changes in the components of net interest income. The changes in net interest income between periods have been reflected as attributed either to volume

Edgar Filing: ICICI BANK LTD - Form 20-F

or rate changes. For the purpose of this table, changes which are due to both volume and rate have been allocated solely to volume.

	Fiscal 2015 vs. Fiscal 2014			Fiscal 2016 vs. Fiscal 2015		
	Increase (decrease) due to			Increase (decrease) due to		
Net change	Change in average volume	Change in average rate	Net change	Change in average volume	Change in average rate	
(in millions)						
Interest income:						
Advances:						
Rupee	Rs. 39,867	Rs. 42,228	Rs. (2,361)	Rs. 32,611	Rs. 52,382	Rs. (19,771)
Foreign currency	3,521	4,730	(1,209)	2,301	6,427	(4,126 )
Total advances	43,388	46,958	(3,570)	34,912	58,809	(23,897)
Investments:						
Rupee <sup>1</sup>	8,088	9,059	(971 )	4,155	9,006	(4,851 )
Foreign currency	(1,261 )	(308 )	(953 )	682	492	190
Total investments	6,827	8,751	(1,924)	4,837	9,498	(4,661 )
Other interest-earning assets:						
Rupee <sup>1</sup>	1,454	1,498	(44 )	2,654	2,659	(5 )
Foreign currency	398	205	193	(436 )	(288 )	(148 )
Total other interest earning asset	1,852	1,703	149	2,218	2,371	(153 )
Other interest income						
Rupee	1,509	—	1,509	1,148	—	1,148
Foreign currency	1,321	—	1,321	(426 )	—	(426 )
Other interest income	2,830	—	2,830	722	—	722
Total interest income:						
Rupee	50,919	53,748	(2,829)	40,568	64,047	(23,479)
Foreign currency	3,979	4,627	(648 )	2,121	6,631	(4,510 )
Total interest income	54,898	58,375	(3,477)	42,689	70,678	(27,989)
Interest expense:						
Savings account deposits:						
Rupee	4,676	4,598	78	5,717	5,576	141
Foreign currency	(176 )	(59 )	(117 )	107	110	(3 )
Total savings account deposits	4,500	4,539	(39 )	5,824	5,686	138
Time deposits:						
Rupee	12,904	13,327	(423 )	7,103	16,256	(9,153 )
Foreign currency	6,129	2,915	3,214	(662 )	(197 )	(465 )
Total time deposits	19,033	16,242	2,791	6,441	16,059	(9,618 )
Total deposits:						
Rupee	17,580	17,925	(345 )	12,820	21,832	(9,012 )
Foreign currency	5,953	2,856	3,097	(555 )	(87 )	(468 )
Total deposits	23,533	20,781	2,752	12,265	21,745	(9,480 )
Borrowings:						
Rupee	636	4,174	(3,538)	5,373	9,693	(4,320 )
Foreign currency	1,907	1,548	359	(856 )	4,388	(5,244 )
Total borrowings	2,543	5,722	(3,179)	4,517	14,080	(9,564 )



Total interest expense:						
Rupee	18,216	22,099	(3,883)	18,193	31,525	(13,332)
Foreign currency	7,860	4,404	3,456	(1,411)	4,301	(5,712)
Total interest expense	26,076	26,503	(427)	16,782	35,825	(19,044)
Net interest income:						
Rupee	32,703	31,649	1,054	22,375	32,522	(10,147)
Foreign currency	(3,881)	223	(4,104)	3,532	2,330	1,202
Total net interest income	Rs.28,822	Rs.31,872	Rs.(3,050)	Rs.25,907	Rs.34,852	Rs.(8,945)

In accordance with the Reserve Bank of India circular dated July 16, 2015, interest on the Rural Infrastructure and Development Fund and other related deposits has been re-grouped from line item 'income on investments' to 'income from other interest earning assets'. Figures of the previous periods have been re-grouped to conform to the current year presentation.

### Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on interest-earning assets.

Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31,									
	2012		2013		2014		2015		2016	
	(in millions, except percentages)									
Interest income <sup>(1)</sup>	Rs. 383,277		Rs. 451,516		Rs. 497,393		Rs. 552,291		Rs. 594,980	
Average interest-earning assets	4,697,241		5,272,489		5,830,625		6,449,192		7,246,635	
Interest expense	250,132		282,854		297,106		323,182		339,965	
Average interest-bearing liabilities	4,099,844		4,556,099		4,996,433		5,445,790		6,094,406	
Average total assets	5,832,309		6,394,436		7,037,002		7,689,402		8,490,942	
Average interest-earning assets as a percentage of average total assets	80.54	%	82.45	%	82.86	%	83.87	%	85.35	%
Average interest-bearing liabilities as a percentage of average total assets	70.30		71.25		71.00		70.82		71.78	
Average interest-earning assets as a percentage of average interest-bearing liabilities	114.57		115.72		116.70		118.43		118.91	
Yield	8.16		8.56		8.53		8.56		8.21	
Rupee	9.32		9.95		9.95		9.97		9.53	
Foreign currency	4.78		4.52		4.41		4.34		4.10	
Cost of funds	6.10		6.21		5.95		5.93		5.57	
Rupee	7.36		7.57		7.34		7.16		6.76	
Foreign currency	3.50		3.32		3.16		3.41		3.05	
Spread <sup>(2)</sup>	2.06		2.35		2.58		2.63		2.64	
Rupee	1.96		2.38		2.61		2.81		2.77	
Foreign currency	1.28		1.20		1.25		0.93		1.05	
Net interest margin <sup>(3)</sup>	2.83		3.20		3.44		3.55		3.52	
Rupee	3.50		3.98		4.31		4.54		4.41	
Foreign currency	0.89		0.90		0.89		0.58		0.74	

We have re-calculated tax-exempt income on a tax-equivalent basis. The impact of re-calculation of tax-exempt (1) income on a tax equivalent basis was Rs. 3.3 billion for fiscal 2012, Rs. 2.7 billion for fiscal 2013, Rs. 2.6 billion for fiscal 2014, Rs. 2.7 billion for fiscal 2015 and Rs. 2.0 billion for fiscal 2016.

Spread is the difference between yield on average interest-earning assets and cost of average interest-bearing (2) liabilities. Yield on average interest-earning assets is the ratio of interest income to average interest-earning assets. Cost of average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

Net interest margin is the ratio of net interest income to average interest-earning assets. The difference in net interest margin and spread arises due to the difference in amount of average interest-earning assets and average (3) interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread and if average interest-bearing liabilities exceed average interest-earning assets, net interest margin is less than the spread.

Net Interest Income

The following table sets forth, for the periods indicated, the principal components of net interest income.

	Year ended March 31,			2016/2015	
	2015	2016	2016	% change	
	(in millions, except percentages)				
Interest income <sup>(1)</sup>	Rs. 549,640	Rs. 592,937	US\$ 8,950	7.9	%
Interest expense	(323,182)	(339,965)	(5,132)	5.2	%
Net interest income	Rs. 226,458	Rs. 252,972	US\$ 3,818	11.7	%

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 11.7% from Rs. 226.5 billion in fiscal 2015 to Rs. 253.0 billion in fiscal 2016, reflecting an increase of 13.2% in the average volume of interest-earning assets.

#### *Net interest margin*

Net interest margin decreased by three basis points from 3.55% in fiscal 2015 to 3.52% in fiscal 2016. Net interest margin on the rupee portfolio decreased by 13 basis points from 4.54% in fiscal 2015 to 4.41% in fiscal

2016 and net interest margin on foreign currency portfolio increased by 16 basis points from 0.58% in fiscal 2015 to 0.74% in fiscal 2016.

The yield on the rupee portfolio decreased by 44 basis points from 9.97% in fiscal 2015 to 9.53% in fiscal 2016 primarily due to the following:

The yield on rupee advances decreased by 75 basis points from 12.09% in fiscal 2015 to 11.34% in fiscal 2016. The yield on rupee investments decreased by 28 basis points from 7.98% in fiscal 2015 to 7.70% in fiscal 2016. The yield on other interest-earning assets remained at the same level of 3.75% in both fiscal 2015 and fiscal 2016. The overall yield on the average rupee portfolio decreased by 44 basis points from 9.97% in fiscal 2015 to 9.53% in fiscal 2016 reflecting the positive impact of an increase in the proportion of average advances in total interest-earning assets.

The yield on rupee advances decreased by 75 basis points from 12.09% in fiscal 2015 to 11.34% in fiscal 2016 primarily due to reduction in the base rate by 65 basis points, lower yield on incremental disbursements and an increase in non-performing assets in fiscal 2016, as interest income is not accrued on non-performing assets. In response to the reduction in repo rate by 125 basis points from 8.00% to 6.75% in four phases, in calendar year 2015, by the Reserve Bank of India, the Bank reduced its base rate by 65 basis points from 10.00% to 9.35% in three phases - 25 basis points with effect from April 10, 2015, 5 basis points with effect from June 26, 2015 and 35 basis points with effect from October 5, 2015. See also "*Business—Loan portfolio—Loan pricing*".

The yield on interest-earning rupee investments decreased by 28 basis points from 7.98% in fiscal 2015 to 7.70% in fiscal 2016, primarily due to a decrease in the yield on investments reflecting softening of interest rates. The yield on statutory liquidity ratio investments decreased primarily due to softening of yield on Government securities. The yield on other than statutory liquidity ratio investments decreased primarily due to a decrease in yield on bonds and debentures, certificate of deposits, pass through certificates and commercial paper. In accordance with the Reserve Bank of India circular dated July 16, 2015, deposits in the Rural Infrastructure Development Fund and other related deposits have been re-grouped from investments to other assets. Figures for previous periods have also been re-grouped accordingly.

The yield on other interest-earning rupee assets remained at the same level of 3.75% in both fiscal 2015 and fiscal 2016. In fiscal 2016, there was an increase in the yield on Rural Infrastructure Development Fund and other related deposits which was, offset, in part, by a decrease in yield on short-term money market lending.

Interest on income tax refunds increased from Rs. 2.8 billion in fiscal 2015 to Rs. 3.3 billion in fiscal 2016. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 40 basis points from 7.16% in fiscal 2015 to 6.76% in fiscal 2016 primarily due to the following factors:

The cost of rupee deposits decreased from 6.34% in fiscal 2015 to 5.99% in fiscal 2016 primarily due to an increase in proportion of average current and savings account deposits and a decrease in the cost of rupee term deposits. The average rupee current and savings account deposits as a percentage of total rupee deposits increased from 42.6% in fiscal 2015 to 43.4% in fiscal 2016. The cost of rupee term deposits decreased from 8.75% in fiscal 2015 to 8.21% in fiscal 2016 reflecting softening of interest rates. In fiscal 2016, the Bank reduced the term deposit rates for select maturities, effective April 10, 2015, June 27, 2015, July 13, 2015, August 22, 2015, September 23, 2015 and March 29, 2016.

The cost of rupee borrowings decreased from 10.50% in fiscal 2015 to 9.90% in fiscal 2016. The cost of borrowings decreased primarily due to a decrease in the cost of refinance borrowings and cost of borrowing under the liquidity adjustment facility of the Reserve Bank of India.

The yield on our foreign currency portfolio decreased by 24 basis points from 4.34% in fiscal 2015 to 4.10% in fiscal 2016 primarily due to the following:

The yield on average interest earning assets of overseas branches of ICICI Bank decreased primarily due to a decrease in the yield on average advances and average investments, offset, in part, by a

decrease in the average volume of short term money lent, which generally have lower yields. The yield on average advances of overseas branches decreased primarily due to an increase in non-performing assets in fiscal 2016, as interest income is not accrued on non-performing assets.

The yield on average interest earning assets of ICICI Bank Canada decreased primarily due to a decrease in yield on average advances. Yield on average advances decreased primarily due to an increase in the proportion of the lower yielding securitized insured mortgages portfolio.

This was, offset, in part, by an increase in yield on assets of ICICI Bank UK, which increased primarily due to an increase in higher yielding advances and a decrease in lower yielding call and term money lent.

The cost of funds for the foreign currency portfolio decreased by 36 basis points from 3.41% in fiscal 2015 to 3.05% in fiscal 2016, due to the following factors:

The cost of funds for ICICI Bank's foreign currency funding decreased primarily due to a decrease in cost of borrowings. The cost of borrowings decreased primarily due to an increase in foreign currency term borrowings which are lower cost and re-pricing/repayment of high-cost borrowings. The decrease in cost of borrowings was partly offset by a decrease in term deposits which are lower cost.

The cost of funds of ICICI Bank UK decreased primarily due to decrease in cost of borrowings and cost of deposits. The cost of borrowings decreased primarily due to repayment of high cost borrowings and overnight and term borrowings raised at lower cost. The cost of deposits decreased primarily due to maturities of high cost retail term deposits, offset, in part, by a decrease in lower cost institutional term deposits and retail term deposits.

The cost of funds of ICICI Bank Canada decreased primarily due to a decrease in cost of deposits and cost of borrowings. The cost of deposits decreased on account of maturities of high cost term deposits and the cost of borrowings decreased on account of a higher proportion of lower cost insured mortgages securitization borrowings in the total borrowings.

The increase in non-performing loans in fiscal 2016 and any further increase in non-performing loans in the future would have an adverse impact on our interest income, yield on advances, net interest income and net interest margin. Further, our focus on increasing the proportion of retail loans and higher rated corporate loans, which are lower-yielding, in our portfolio would also result in lower incremental yields on advances. Accordingly, we expect that ICICI Bank's net interest margins for fiscal 2017 to be lower than the level of 3.37% reported during the three months ended March 31, 2016.

Interest-earning assets

The average volume of interest-earning assets increased by 12.4% from Rs. 6,449.2 billion in fiscal 2015 to Rs. 7,246.6 billion in fiscal 2016. The increase in interest-earning assets was primarily due to an increase in average advances by Rs. 623.3 billion and an increase in average interest-earning investments by Rs. 146.0 billion.

Average advances increased by 15.4% from Rs. 4,049.3 billion in fiscal 2015 to Rs. 4,672.6 billion in fiscal 2016. Average rupee advances increased from Rs. 2,655.8 billion in fiscal 2015 to Rs. 3,117.6 billion in fiscal 2016 primarily due to an increase in retail advances. Average foreign currency advances increased from Rs. 1,393.5 billion in fiscal 2015 to Rs. 1,555.0 billion in fiscal 2016, primarily due to the impact of the depreciation of the rupee against the U.S. dollar, an increase in the insured mortgage portfolio of ICICI Bank Canada and an increase in corporate advances of ICICI Bank UK.

Average interest-earning investments increased by 8.0% from Rs. 1,823.4 billion in fiscal 2015 to Rs. 1,969.4 billion in fiscal 2016. Average rupee investments increased from Rs. 1,746.9 billion in fiscal 2015 to Rs. 1,863.9 billion in fiscal 2016 primarily due to an increase in investments in Indian government securities by 9.0% from Rs. 1,238.1 billion in fiscal 2015 to Rs. 1,349.5 billion in fiscal 2016. Average other rupee investments increased from Rs. 508.8 billion in fiscal 2015 to Rs. 514.4 billion in fiscal 2016. Interest-earning rupee investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and liquid mutual funds. Average foreign currency investments increased from Rs. 76.5 billion in fiscal 2015 to Rs. 105.5 billion in fiscal

2016 primarily due to an increase in average investments of ICICI Bank UK on account of an increase in investment in corporate bonds and rupee depreciation.

Average other interest-earning assets increased by 4.9% from Rs. 576.6 billion in fiscal 2015 to Rs. 604.7 billion in fiscal 2016 primarily due to an increase in Rural Infrastructure Development Fund and other related deposits and balances with the Reserve Bank of India, offset, in part, by a decrease in foreign currency term money lent.

#### Interest-bearing liabilities

Average interest-bearing liabilities increased by 11.9% from Rs. 5,445.8 billion in fiscal 2015 to Rs. 6,094.4 billion in fiscal 2016 on account of an increase in average deposits by Rs. 401.0 billion and an increase in average borrowings by Rs. 247.6 billion.

Average interest-bearing rupee liabilities increased from Rs. 3,670.9 billion in fiscal 2015 to Rs. 4,155.7 billion in fiscal 2016. Average rupee time deposits increased from Rs. 1,693.7 billion in fiscal 2015 to Rs. 1,891.6 billion in fiscal 2016. Average rupee current and savings account deposits increased from Rs. 1,259.2 billion in fiscal 2015 to Rs. 1,448.1 billion in fiscal 2016. Average rupee borrowings increased from Rs. 718.0 billion in fiscal 2015 to Rs. 815.9 billion in fiscal 2016 primarily due to an increase in refinance borrowings, offset, in part, by a decrease in borrowings under the liquidity adjustment facility of the Reserve Bank of India.

Average interest-bearing foreign currency liabilities increased from Rs. 1,774.9 billion in fiscal 2015 to Rs. 1,938.7 billion in fiscal 2016. Average foreign currency deposits increased from Rs. 586.5 billion in fiscal 2015 to Rs. 600.7 billion in fiscal 2016. Average deposits of ICICI Bank Canada increased primarily due to an increase in average term deposits. Average deposits of ICICI Bank UK increased primarily due to the impact of the depreciation of the rupee against the U.S. dollar.

Average foreign currency borrowings increased from Rs. 1,188.3 billion in fiscal 2015 to Rs. 1,338.0 billion in fiscal 2016. The foreign currency borrowings of ICICI Bank in rupee terms increased primarily due to the impact of depreciation of the rupee against the U.S. dollar. Average borrowings of ICICI Bank Canada increased primarily on account of an increase in borrowings through securitization of mortgages. Average borrowings of ICICI Bank UK increased primarily due to an increase in inter-bank borrowings, bond borrowings, syndicated borrowings and repo borrowings. See also *“Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance”*.



## Non-Interest Income

The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 83,939	Rs. 87,697	US\$ 1,324	4.5 %
Profit/(loss) on treasury-related activities (net) <sup>(1)</sup>	46,694	66,222	1,000	41.8
Profit/(loss) on sale of land, buildings and other assets (net)	34	264	4	-
Premium and other operating income from insurance business	220,771	263,840	3,982	19.5
Miscellaneous income	1,085	2,998	45	-
Total non-interest income	Rs. 352,523	Rs. 421,021	US\$ 6,355	19.4 %

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis

of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 19.4% from Rs. 352.5 billion in fiscal 2015 to Rs. 421.0 billion in fiscal 2016 primarily due to an increase in premium and other operating income relating to insurance business and income from treasury-related activities.

#### Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, commercial banking fees and structuring fees and fee income from retail customers includes loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 4.5% from Rs. 83.9 billion in fiscal 2015 to Rs. 87.7 billion in fiscal 2016. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 69.8 billion in fiscal 2015 to Rs. 74.6 billion in fiscal 2016. Management fees of our asset management subsidiary increased and brokerage income of our securities broking subsidiary decreased in fiscal 2016 as compared to fiscal 2015.

The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in fee income from retail customers such as lending linked fees, credit card fees and fees from retail deposit customers. Lending related fee income from corporate clients remained muted during fiscal 2016, although there was an increase in commercial banking fees.

Management fees of our asset management subsidiary increased in fiscal 2016 primarily due to an increase in average assets under management and change in mix in favor of equity mutual funds which earns higher fees. Brokerage income of our securities broking subsidiary decreased in fiscal 2016 as compared to fiscal 2015 primarily due to lower trading volumes in Indian equity markets in fiscal 2016.

#### Income from treasury-related activities (net)

Income from treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share

portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. Further, it also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps. Income from treasury-related activities increased by 41.8% from Rs. 46.7 billion in fiscal 2015 to Rs. 66.2 billion in fiscal 2016 primarily due to gains on sale of 6% share in ICICI Prudential Life Insurance Company Limited and 9% shareholding in ICICI Lombard General Insurance Company Limited, offset, in part, by lower gains on government securities and other fixed income positions.

Our profit on the equity portfolio increased from Rs. 3.3 billion in fiscal 2015 to Rs. 28.7 billion in fiscal 2016 primarily due to gains on sale of shares of ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited.

Our profit on the government securities portfolio and other fixed income positions decreased from Rs. 16.1 billion in fiscal 2015 to Rs. 14.9 billion in fiscal 2016. In fiscal 2015, the yield on 10-year government securities declined by 107 basis points resulting in higher trading opportunities compared to a decrease of 28 basis points in fiscal 2016. Our income from foreign exchange transactions including transactions with clients and margins on derivatives transactions with clients increased from Rs. 18.5 billion in fiscal 2015 to Rs. 22.9 billion in fiscal 2016. This includes net exchange gain relating to overseas operations, which increased from Rs. 6.4 billion in fiscal 2015 to Rs. 9.4 billion in fiscal 2016. The exchange gain arose from repatriation of retained earnings from overseas branches.

#### Income relating to our insurance business

Income from our insurance business increased by 19.5% from Rs. 220.8 billion in fiscal 2015 to Rs. 263.8 billion in fiscal 2016 due to an increase in income from both our life insurance and general insurance business. Income from our life insurance business increased from Rs. 172.8 billion in fiscal 2015 to Rs. 210.0 billion in

fiscal 2016. Income from our general insurance business increased from Rs. 48.0 billion in fiscal 2015 to Rs. 53.8 billion in fiscal 2016. Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies.

Net premium income of our life insurance subsidiary increased from Rs. 151.5 billion in fiscal 2015 to Rs. 189.8 billion in fiscal 2016. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 25.2% from Rs. 153.1 billion in fiscal 2015 to Rs. 191.6 billion in fiscal 2016 primarily due to an increase in retail renewal premium. Retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. Retail new business premium increased by 10.7% from Rs. 49.3 billion in fiscal 2015 to Rs. 54.5 billion in fiscal 2016. Group premium increased from Rs. 8.0 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016.

Fee and other life insurance related income of our life insurance subsidiary decreased from Rs. 21.3 billion in fiscal 2015 to Rs. 20.3 billion in fiscal 2016 primarily due to a decrease in surrender charges, foreclosure income and policy fees, offset, in part, by an increase in fund management charges and mortality charges.

The net premium income of our general insurance subsidiary increased from Rs. 41.0 billion in fiscal 2015 to Rs. 46.7 billion in fiscal 2016 primarily due to an increase in weather and motor insurance business.

Commission income of our general insurance subsidiary increased marginally from Rs. 7.0 billion in fiscal 2015 to Rs. 7.1 billion in fiscal 2016.

#### Miscellaneous income

Miscellaneous income increased from Rs. 1.1 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

#### Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

Year ended March 31,		
2015	2016	2016

	(in millions, except percentages)			2016/2015 % change	
Payments to and provisions for employees	Rs. 65,683	Rs. 69,123	US\$ 1,043	5.2	%
Depreciation on own property	7,632	8,239	124	8.0	
Auditor's fees and expenses	222	230	3	3.6	
Depreciation on leased assets	351	192	3	(45.3	)
Expenses pertaining to insurance business	191,640	232,710	3,513	21.4	
Other administrative expenses	84,700	97,402	1,471	15.0	
Total non-interest expenses	Rs. 350,228	Rs. 407,896	US\$ 6,157	16.5	%

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased by 16.5% from Rs. 350.2 billion in fiscal 2015 to Rs. 407.9 billion in fiscal 2016 primarily due to an increase in expenses related to insurance business, other administrative expenses and payments to and provisions for employees.

#### Payments to and provisions for employees

Employee expenses increased by 5.2% from Rs. 65.7 billion in fiscal 2015 to Rs. 69.1 billion in fiscal 2016. Our employee base, including sales executives, employees on fixed term contracts and interns, increased from 90,486 at year-end fiscal 2015 to 97,132 at year-end fiscal 2016.

The employee expenses of ICICI Bank increased by 5.3% from Rs. 47.5 billion in fiscal 2015 to Rs. 50.0 billion in fiscal 2016. Employee expenses increased primarily on account of higher salary due to annual increments and promotions and an increase in average staff strength, offset, in part, by lower provision for retirement benefit obligations due to movement in the discount rate linked to the yield on government securities. The employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, increased from 67,857 employees at year-end fiscal 2015 to 74,096 employees at year-end fiscal 2016.

Employee expenses of ICICI Prudential Life Insurance Company increased by 8.7% from Rs. 6.9 billion in fiscal 2015 to Rs. 7.5 billion in fiscal 2016. Employee expenses of ICICI Lombard General Insurance Company increased by 8.8% from Rs. 3.4 billion in fiscal 2015 to Rs. 3.7 billion in fiscal 2016. The employee expenses of ICICI Securities Limited remained at the same level at Rs. 4.0 billion in both fiscal 2015 and in fiscal 2016.

### *Depreciation*

Depreciation on owned property increased by 8.0% from Rs. 7.6 billion in fiscal 2015 to Rs. 8.2 billion in fiscal 2016 due to an increase in fixed assets with higher depreciation rates. Depreciation on leased assets decreased from Rs. 0.4 billion in fiscal 2015 to Rs. 0.2 billion in fiscal 2016.

### *Other administrative expenses*

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 15.0% from Rs. 84.7 billion in fiscal 2015 to Rs. 97.4 billion in fiscal 2016, primarily due to an increase in expenses of ICICI Bank and our insurance subsidiaries. Other administrative expenses of ICICI Bank increased from Rs. 60.8 billion in fiscal 2015 to Rs. 69.8 billion in fiscal 2016 primarily due to an increase in the branch and ATM network and retail business volumes. The number of branches and extension counters (excluding foreign branches and offshore banking units) of ICICI Bank in India increased from 4,050 at year-end fiscal 2015 to 4,450 at year-end fiscal 2016. ICICI Bank also increased its ATM network from 12,451 ATMs at year-end fiscal 2015 to 13,766 ATMs at year-end fiscal 2016. Other administrative expenses of our insurance subsidiaries increased primarily due to an increase in advertisement expenses and other business support expenses.

### *Expenses related to our insurance business*

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 21.4% from Rs. 191.6 billion in fiscal 2015 to Rs. 232.7 billion in fiscal 2016.

The expenses related to our life insurance subsidiary increased from Rs. 154.6 billion in fiscal 2015 to Rs. 190.4 billion in fiscal 2016 primarily due to an increase in expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies), claims and benefit payouts and commission expenses.

In fiscal 2016, the reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 143.3 billion in fiscal 2015 to Rs. 170.8 billion in fiscal 2016, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses increased from Rs. 11.3 billion in fiscal 2015 to Rs. 19.6 billion in fiscal 2016, primarily due to an increase in surrender claims pertaining to group business and higher commission expenses which is in line with the increase in total premium. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary increased from Rs. 37.0 billion in fiscal 2015 to Rs. 42.3 billion in fiscal 2016 primarily due to an increase in claims and benefit payouts. Claims and benefit payouts increased from Rs. 34.4 billion in fiscal 2015 to Rs. 39.3 billion in fiscal 2016, reflecting an increase in business and an increase in loss ratio of weather insurance business. The commission expenses increased from Rs. 2.6 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

See also “*Business—Overview of Our Products and Services—Insurance*”.

Provisions and contingencies (excluding tax provisions)

Provisions for Non-performing Assets and Restructured Loans

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines, except in the case of ICICI Home Finance Company and

our overseas banking subsidiaries. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. Our overseas banking subsidiaries classify a loan as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines non-performing assets are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery but which are standard as per the extant Reserve Bank of India guidelines are identified as non-performing assets to the extent the loan amount is outstanding in the host country. Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. In compliance with regulations governing the presentation of financial information by banks, we report only non-performing loans and advances in our financial statements. The Reserve Bank of India has separate guidelines for restructured loans. From April 1, 2015 onwards, loans that are restructured (other than due to delay up to a specified period in the infrastructure sector and non-infrastructure sector) are classified as non-performing, other than loans already restructured prior to March 31, 2015 or where the restructuring was proposed prior to April 1, 2015 and was effected subsequently within prescribed timelines. However, loans granted for implementation of projects in the infrastructure sector and the non-infrastructure sector that are restructured due to a delay in implementation of the project (up to a specified period) enjoy forbearance in asset classification subject to the fulfillment of certain conditions stipulated by the Reserve Bank of India. See also “*Business—Classification of Loans*”.

We make provisions on standard, sub-standard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and the unsecured portion of doubtful assets are provided for/written off as required by the Reserve Bank of India guidelines. For loans and advances of overseas branches, we make provisions as per the Reserve Bank of India regulations or host country regulations, whichever is higher. We make provisions on retail non-performing loans at the borrower level in accordance with our retail assets provisioning policy, subject to the minimum provisioning levels prescribed by the Reserve Bank of India. We hold higher specific provisions on retail loans and advances than the minimum regulatory requirement. We make provisions on restructured/rescheduled loans and advances in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, we maintain a general provision on standard loans and advances and restructured/rescheduled loans and advances at rates prescribed by the Reserve Bank of India. For standard loans and advances in overseas branches, we hold a general provision at the higher of host country regulatory requirements and the Reserve Bank of India requirements. See also “*Business—Loan portfolio—Classification of Loans*”.

#### *Non-performing Assets*

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

At March 31,				2016/2015 % change
2015	2016	2016	2016	
(in millions, except percentages)				



Edgar Filing: ICICI BANK LTD - Form 20-F

Opening balance (gross non-performing assets)	Rs. 122,994	Rs. 173,870	US\$2,624	41.4 %
Add: New non-performing assets during the year	90,945	178,402	2,693	96.2
Less: Loans upgraded to performing during the year	(5,925 )	(11,504 )	(174 )	94.2
Less: Recoveries (excluding recoveries made from upgraded accounts)	(14,966 )	(15,353 )	(231 )	2.6
Less: Write-offs	(19,178 )	(32,199 )	(486 )	67.9
<b>Gross non-performing assets<sup>(1)</sup></b>	<b>Rs. 173,870</b>	<b>Rs. 293,216</b>	<b>US\$4,426</b>	<b>68.6</b>
Provisions for non-performing assets <sup>(1)</sup>	(96,655 )	(145,431 )	(2,195 )	50.5
<b>Net non-performing assets<sup>(1)</sup></b>	<b>Rs. 77,215</b>	<b>Rs. 147,785</b>	<b>US\$2,231</b>	<b>91.4</b>
Gross customer assets	5,149,278	5,718,339	86,315	11.1
Net customer assets	Rs. 5,026,019	Rs. 5,556,942	US\$83,878	10.6
Gross non-performing assets as a percentage of gross customer assets	3.4	%	5.1	%
Net non-performing assets as a percentage of net customer assets	1.5	%	2.7	%

(1) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

In fiscal 2010 and fiscal 2011, the Indian economy experienced high rates of growth. The Indian corporate sector undertook significant investments during this period, including in the infrastructure and commodity sectors. This also led to high loan growth in the banking sector, including for us. Subsequently, the Indian economy began to experience challenges in terms of high inflation and consequently higher interest rates, currency depreciation and a sharp slowdown in economic growth. Thereafter, the corporate sector experienced a decline in sales and profit growth, an elongation of working capital cycles and a high level of receivables, and significant challenges in project completion and cash flow generation, due to policy changes, delays in approvals and judicial decisions. Indian corporations, especially in the infrastructure and industrial sectors, had limited ability to access capital in view of the economic scenario, volatility in global and domestic financial markets and delays in project implementation. Corporate investment activity declined. From fiscal 2014 onwards, these developments led to an increase in non-performing and restructured corporate loans in the Indian banking sector, including us, and a substantial moderation in overall loan growth, driven primarily by lower growth in credit to the corporate sector.

Over the past two years, the Indian economy has experienced an improvement in certain macro-economic indicators, with a reduction in inflation and interest rates, stability in the currency and a gradual increase in the rate of economic growth. However, the challenges in project completion continued, receivables remained high and the corporate sector continued to be impacted due to lower than anticipated cash flow generation and high leverage.

Further, during fiscal 2016, the corporate sector experienced additional challenges. The anticipated improvement in the performance of the corporate sector did not materialize due to the gradual domestic recovery, subdued corporate investment and continued global economic challenges. The global economic environment continued to be volatile, with a slowdown in growth globally, including in large emerging markets. The significant decline in global commodity prices, including metals, coal and crude oil, negatively impacted borrowers in commodity-linked sectors such as iron & steel, coal and petroleum oil related activities. Capital investments in the economy remained subdued impacting corporations in investment-linked sectors like construction. In view of the lower than projected cash flows, the progress in reducing leverage in the corporate sector remained slow. While several companies were working with banks to restructure and reorganize their businesses and reduce their leverage through sales of businesses and assets, these efforts were taking time to show results, resulting in an increase in the level of additions to non-performing loans, including slippages from the restructured loan portfolio into non-performing status. In addition, during the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, the Indian banking system, including us, experienced a substantial increase in the level of additions to non-performing loans, including slippages from restructured loans into non-performing status, during fiscal 2016. Our provisioning costs are expected to remain elevated in the near term. See also “*Business – Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers*”. See also “—*Executive Summary—Business environment-Trends in fiscal 2016*”.

The gross additions to non-performing assets, including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms, increased from Rs.

90.9 billion during fiscal 2015 to Rs. 178.4 billion during fiscal 2016. In fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. Non-performing assets amounting to Rs. 26.9 billion were upgraded/recovered in fiscal 2016 as compared to Rs. 20.9 billion in fiscal 2015. Non-performing assets amounting to Rs. 32.2 billion were written-off in fiscal 2016 as compared to Rs. 19.2 billion in fiscal 2015. Our gross non-performing assets increased by 68.6% from Rs. 173.9 billion at year-end fiscal 2015 to Rs. 293.2 billion at year-end fiscal 2016. Our net non-performing assets increased by 91.4% from Rs. 77.2 billion at year-end fiscal 2015 to Rs. 147.8 billion at year-end fiscal 2016. The net non-performing asset ratio increased from 1.5% at year-end fiscal 2015 to 2.7% at year-end fiscal 2016.

Gross additions to non-performing commercial loans including classification of restructured loans as non-performing due to failure of the borrowers to perform as per restructured debt terms, increased from Rs. 40.8 billion in fiscal 2014 to Rs. 77.9 billion in fiscal 2015 and further to Rs. 161.4 billion in fiscal 2016. In fiscal 2016, restructured standard commercial loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of the borrowers to perform as per the restructured debt terms as compared to Rs. 45.1 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing commercial loans amounting to Rs. 5.2 billion and

made recoveries of non-performing commercial loans amounting to Rs. 8.7 billion. During fiscal 2016, based on the borrower-specific evaluation of the possibility of further recovery, commercial loans amounting to Rs. 29.4 billion were written-off. See “*Business—Classification of Loans—Provisioning and Write-Offs—Our policy*”. Gross non-performing commercial loans increased from Rs. 148.3 billion at year-end fiscal 2015 to Rs. 266.4 billion at year-end fiscal 2016. During fiscal 2016, the corporate sector continued to experience challenges due to lower than anticipated cash flow generation and high leverage. Additionally, during the year, the significant decline in commodity prices adversely impacted commodity-based sectors such as iron & steel. The power sector continued to experience challenges with respect to project completion, capacity utilization and leverage. Further, subdued capital investments in the economy impacted sectors such as construction and iron & steel. During fiscal 2016, there was an increase in gross non-performing assets in the iron & steel and products sector by Rs. 55.3 billion, power sector by Rs. 16.8 billion and construction sector by Rs. 15.0 billion.

Gross additions to non-performing consumer loans were Rs. 17.0 billion in fiscal 2016 as compared to Rs. 13.0 billion in fiscal 2015. During fiscal 2016, we upgraded non-performing consumer loans of Rs. 6.3 billion as compared to Rs. 4.4 billion in fiscal 2015. During fiscal 2016, we made recoveries against non-performing consumer loans of Rs. 6.6 billion and written-off Rs. 2.8 billion. Gross non-performing consumer loans increased from Rs. 25.5 billion at year-end fiscal 2015 to Rs. 26.8 billion at year-end fiscal 2016.

Further, at year-end fiscal 2016, ICICI Bank’s outstanding non-fund based facilities to borrowers whose loans were classified as non-performing were Rs. 28.2 billion.

See also “*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*”.

### *Restructured Loans*

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of standard restructured loans.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. 133,448	Rs. 130,787	US\$ 1,974	(2.0 )%
Add: Loans restructured during the year	38,965	23,089	349	(40.7 )
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	11,207	9,939	149	(11.3 )
	(2,149 )	(78 )	(1 )	(96.4 )

Less: Loans upgraded to standard category during the year				
Less: Loans downgraded to non-performing category during the year	(45,115 )	(53,002 )	(800 )	17.5
Less: Repayments during the year	(5,569 )	(12,061 )	(182 )	116.6
Gross restructured loans	Rs. 130,787	Rs. 98,674	US\$1,489	(24.6 )
Provisions for restructured loans	(9,458 )	(7,581 )	(114 )	(19.8 )
Net restructured loans	Rs. 121,329	Rs. 91,093	US\$1,375	(24.9 )
Average balance of net restructured loans <sup>(1)</sup>	124,816	118,602	1,903	(5.0 )
Gross customer assets	5,149,278	5,718,339	86,315	11.1
Net customer assets	Rs. 5,026,019	Rs. 5,556,942	US\$83,878	10.6
Gross restructured loans as a percentage of gross customer assets	2.5	%	1.7	%
Net restructured loans as a percentage of net customer assets	2.4	%	1.6	%

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

During fiscal 2016, we restructured loans of borrowers classified as standard, as well as made additional disbursements to borrowers whose loans had been restructured in prior years, aggregating Rs. 33.0 billion, as compared to Rs. 50.2 billion during fiscal 2015. Further, during fiscal 2016, restructured standard loans amounting to Rs. 53.0 billion were classified as non-performing due to failure of borrowers to perform as per restructured debt terms, compared to Rs. 45.1 billion during fiscal 2015. Restructured loans amounting to Rs. 12.1 billion were repaid in fiscal 2016 as compared to Rs. 5.6 billion in fiscal 2015. The gross outstanding standard restructured loans decreased by 24.6% from Rs. 130.8 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 and the net outstanding restructured loans decreased by 24.9% from Rs. 121.3 billion at year-end fiscal 2015 to Rs. 91.1 billion at year-end fiscal 2016. Further, at year-end fiscal 2016, the ICICI Bank's outstanding non-fund based facilities to borrowers whose loans were classified as restructured were Rs. 44.0 billion.

Outstanding amount of standard restructured loans in the power sector decreased by Rs. 11.3 billion, services -non finance sector by Rs. 7.8 billion, drugs and pharmaceuticals sector by Rs. 7.7 billion, others sector by Rs. 3.7 billion and services – finance sector by Rs. 2.8 billion. This decrease was primarily due to classification of standard restructured loans as non-performing category due to failure of the borrowers to perform as per restructured debt terms.

In fiscal 2016, we sold seven commercial loans with aggregate book value (net of provision) of Rs. 6.7 billion to an asset reconstruction company. In fiscal 2015, we sold 14 commercial loans with aggregate book value (net of provision) of Rs. 3.3 billion to an asset reconstruction company. See also “—*Classification of Loans—Non-Performing Asset Strategy*”.

The net standard restructured loans, as a percentage, decreased from 2.4% at year-end fiscal 2015 to 1.6% at year-end fiscal 2016. At year-end fiscal 2016, the outstanding provision for diminution in fair value of restructured loans (including the provision for funded interest) decreased from Rs. 9.5 billion at year-end fiscal 2015 to Rs. 7.6 billion at year-end fiscal 2016. See also “*Risk Factors—Risks Relating to Our Business—The level of restructured loans in our portfolio may increase and the failure of our restructured loans to perform as expected could affect our business*”. See also “*Operating and Financial Review and Prospects—Provisions for Restructured Loans and Non-performing Assets*”.

The aggregate gross non-performing assets and gross standard restructured loans increased by Rs. 87.2 billion, or 26.8%, from Rs. 304.7 billion at year-end fiscal 2015 to Rs. 391.9 billion at year-end fiscal 2016. The aggregate net non-performing assets and net restructured loans increased by Rs. 40.4 billion, or 20.4%, from Rs. 198.5 billion at year-end fiscal 2015 to Rs. 238.9 billion at year-end fiscal 2016.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring, for conversion of debt into equity, which results in majority ownership of the borrower by banks. At year-end fiscal 2016, we had implemented strategic debt restructuring in respect of loans aggregating Rs. 29.33 billion, including loans amounting to Rs. 25.56 billion classified as non-performing or standard restructured. Further, in fiscal 2015, the Reserve Bank of India had issued guidelines permitting banks to refinance long-term project loans to infrastructure and other core industries at

periodic intervals without such refinancing being considered as restructuring. The outstanding portfolio of loans for which this refinancing scheme had been implemented was Rs. 42.39 billion at year-end fiscal 2016. These are classified as standard loans. See also “*Supervision and Regulation—Regulations Relating to Advancing Loans*”.

*Provisions and contingencies*

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Provision for investments (net)	Rs. 4,129	Rs. 2,985	US\$ 45	(27.7 )%
Provision for non-performing and other assets	36,307	77,189	1,165	-
Collective contingency and related reserve	-	36,000	543	-
Provision for standard assets	3,928	3,176	48	(19.1 )
Others	999	3,704	56	-
Total provisions and contingencies (excluding tax)	Rs. 45,363	Rs. 123,054	US\$ 1,857	-

Provisions and contingencies increased from Rs. 45.4 billion in fiscal 2015 to Rs. 123.1 billion in fiscal 2016. This increase was primarily due to an increase in provisions for non-performing assets and creation of collective contingency and related reserve. Provision for non-performing loans and other assets increased from Rs. 36.3 billion in fiscal 2015 to Rs. 77.2 billion in fiscal 2016 primarily due to an increase in additions to non-performing loans in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the restructured terms.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. At March 31, 2016, the Bank's fund based exposure and outstanding non-fund based facilities to companies internally rated below investment grade (excluding borrowers classified as non-performing or restructured) was Rs. 119.6 billion (1.3% of the Bank's total exposure) to power (excluding central public sector owned undertaking), Rs. 90.1 billion (1.0%) to mining, Rs. 77.8 billion (0.8%) to iron & steel, Rs. 66.4 billion (0.7%) to cement and Rs. 25.1 billion (0.3%) to rigs. Further, ICICI Bank's fund based exposure and outstanding non-fund based facilities to promoter entities internally rated below investment grade where the underlying is partly linked to these sectors was Rs. 61.6 billion (0.7%). In view of the uncertainties relating to these sectors and the time that it may take to resolve our exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP. There can be no assurance that this reserve would be adequate to cover any future provisioning requirements in respect of these exposures or that non-performing loans will not arise from other exposures in these sectors.

Our provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2016, computed in accordance with the Reserve Bank of India guidelines, was 50.6%.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*" and "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Restructured Loans*".



Provision on standard assets decreased from Rs. 3.9 billion in fiscal 2015 to Rs. 3.2 billion in fiscal 2016. We held a cumulative general provision (excluding the collective contingency and related reserve) of Rs. 29.2 billion at year-end fiscal 2016 compared to Rs. 25.5 billion at year-end fiscal 2015.

Provision for investments decreased from Rs. 4.1 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016.

#### Tax Expense

Income tax expense decreased by 37.4% from Rs. 54.0 billion in fiscal 2015 to Rs. 33.8 billion in fiscal 2016. The effective tax rate decreased from 29.4% in fiscal 2015 to 23.6% in fiscal 2016 primarily due to a decrease in the effective tax rate of the Bank, offset, in part, by an increase in the effective tax rate of life insurance subsidiary and general insurance subsidiary.

Income tax expense of the Bank decreased by 46.8% from Rs. 46.5 billion in fiscal 2015 to Rs. 24.7 billion in fiscal 2016. The effective tax rate of the Bank decreased from 29.4% in fiscal 2015 to 20.3% in fiscal 2016 primarily due to lower tax applicable on profit on sale of equity investments and set-off of capital losses carried forward from earlier periods, which were adjusted against capital gains in fiscal 2016 for tax purpose.

The life insurance subsidiary had an aggregate tax charge of Rs. 1.9 billion in fiscal 2016 compared to an aggregate tax charge of Rs. 0.01 billion in fiscal 2015. The lower tax expense in fiscal 2015 were primarily due to tax benefit on carried forward business losses of earlier years, which were adjusted fully against the profit for fiscal 2015 for tax purposes. The income tax expense of our general insurance subsidiary increased from Rs. 1.6 billion in fiscal 2015 to Rs. 2.0 billion in fiscal 2016. The lower tax expense in fiscal 2015 were primarily due to tax benefit on carried forward business losses of earlier years, which were fully adjusted against the profit for fiscal 2015 for tax purposes.

## Financial Condition

### Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Cash and cash equivalents	Rs. 476,372	Rs. 650,359	US\$ 9,817	36.5 %
Investments <sup>(1)</sup>	2,743,108	2,860,441	43,176	4.3
Advances (net of provisions)	4,384,901	4,937,291	74,525	12.6
Fixed assets	58,712	87,135	1,315	48.4
Other assets <sup>(1)</sup>	597,699	652,336	9,847	9.1
Total assets	Rs. 8,260,792	Rs. 9,187,562	US\$ 138,680	<b>11.2 %</b>

(1). In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 280.7 billion (At March 31, 2015: Rs. 284.5 billion) have been re-classified to line item 'Rural Infrastructure and Development Fund' under - Other Assets.

Our total assets increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016 primarily due to an increase in net advances, cash and cash equivalent and investments. Net advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016.

Investments increased by 4.3% from Rs. 2,743.1 billion at year-end fiscal 2015 to Rs. 2,860.4 billion at year-end fiscal 2016. Cash and cash equivalents increased by 36.5% from Rs. 476.4 billion at year-end fiscal 2015 to Rs. 650.4 billion at year-end fiscal 2016.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents increased from Rs. 476.4 billion at year-end fiscal 2015 to Rs. 650.4 billion at year-end fiscal 2016 primarily due to an increase in money lent at call and short notice, balances with banks outside India and balances with the Reserve Bank of India.

#### Investments

Total investments increased by 4.3% from Rs. 2,743.1 billion at year-end fiscal 2015 to Rs. 2,860.4 billion at year-end fiscal 2016. Investments of ICICI Bank increased from Rs. 1,581.3 billion at year-end fiscal 2015 to Rs. 1,604.1 billion at year-end fiscal 2016 primarily due to an increase in investments in government securities, commercial paper and pass through certificates, offset, in part, by a decrease in investments in bonds and debentures.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 984.3 billion at year-end fiscal 2015 to Rs. 1,023.3 billion at year-end fiscal 2016. Investments held to cover linked liabilities increased from Rs. 747.8 billion at year-end fiscal 2015 to Rs. 753.0 billion at year-end fiscal 2016. Investments, other than investments held to cover linked liabilities, increased from Rs. 236.5 billion at year-end fiscal 2015 to Rs. 270.3 billion at year-end fiscal 2016, reflecting an increase in business volume primarily due to an increase in

investment in government securities, equity shares and certificates of deposit, offset, in part, by a decrease in investment in corporate bonds and debentures.

Investments of ICICI Lombard General Insurance Company increased from Rs. 98.2 billion at year-end fiscal 2015 to Rs. 112.8 billion in fiscal 2016 primarily due to an increase in investment in government securities and equity shares reflecting an increase in business volume.

Investments of ICICI Securities Primary Dealership Limited increased from Rs. 129.0 billion at year-end fiscal 2015 to Rs. 139.0 billion in fiscal 2016 primarily due to an increase in investment in government securities.

Our total investment in Indian government securities was Rs. 1,436.8 billion at year-end fiscal 2016, compared to Rs. 1,334.2 billion at year-end fiscal 2015.

Investments of ICICI Bank UK increased by 58.3% from Rs. 31.1 billion at year-end fiscal 2015 to Rs. 49.3 billion at year-end fiscal 2016 primarily due to an increase in investment in corporate bonds. ICICI Bank Canada's investment portfolio increased by 5.2% from Rs. 29.2 billion at year-end fiscal 2015 to Rs. 30.7 billion at year-end fiscal 2016.

At year-end fiscal 2016, the Bank had an outstanding net investment of Rs. 7.9 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 8.4 billion at year-end fiscal 2015. See also "*Business—Overview of Our Products and Services—Treasury*".

## Advances

Net advances increased by 12.6% from Rs. 4,384.9 billion at year-end fiscal 2015 to Rs. 4,937.3 billion at year-end fiscal 2016 primarily due to an increase in retail advances.

Net advances of the Bank increased by 12.3% from Rs. 3,875.2 billion at year-end fiscal 2015 to Rs. 4,352.6 billion at year-end fiscal 2016. Net retail advances of ICICI Bank increased by 23.3% from Rs. 1,664.4 billion at year-end fiscal 2015 to Rs. 2,027.9 billion at year-end fiscal 2016 primarily due to an increase in the home loans and automobile loan portfolios. Net advances of the overseas branches of ICICI Bank in U.S. dollar terms decreased by 6.0% from US\$ 15.1 billion at year-end fiscal 2015 to US\$ 14.2 billion at year-end fiscal 2016. However, net advances of the overseas branches of ICICI Bank in rupee terms decreased marginally from Rs. 941.2 billion at year-end fiscal 2015 to Rs. 938.1 billion at year-end fiscal 2016 primarily due to the impact of the depreciation of the rupee against the U.S. dollar. Net advances of ICICI Home Finance increased by 13.3% from Rs. 76.2 billion at year-end fiscal 2015 to Rs.

86.3 billion at year-end fiscal 2016 primarily due to an increase in retail loans.

Advances of ICICI Bank UK increased from Rs. 189.7 billion at year-end fiscal 2015 to Rs. 209.1 billion at fiscal 2016 primarily due to an increase in the corporate loan book offset, in part, by reduction in the portfolio of foreign currency convertible bonds on account of maturities.

Advances of ICICI Bank Canada increased from Rs. 254.2 billion at year-end fiscal 2015 to Rs. 295.5 billion at fiscal 2016 primarily due to an increase in the securitized insured mortgages portfolio. See also “*Business – Loan Portfolio*”.

#### Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 48.4% from Rs. 58.7 billion at year-end fiscal 2015 to Rs. 87.1 billion at year-end fiscal 2016. During fiscal 2016, the Bank carried out a revaluation of premises resulting in a revaluation gain of Rs. 28.2 billion. Other assets increased from Rs. 597.7 billion at year-end fiscal 2015 to Rs. 652.3 billion at year-end fiscal 2016 primarily due to an increase in deferred tax assets and non-banking assets acquired in satisfaction of claims, offset, in part, by a decrease in mark-to-market and receivables on foreign exchange and derivative transactions. During fiscal 2016, ICICI Bank acquired fixed assets amounting to Rs. 17.2 billion in satisfaction of claims under debt-asset swap transactions with certain borrowers.

## Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Deposits	Rs. 3,859,552	Rs. 4,510,774	US\$ 68,087	16.9 %
Borrowings <sup>(1)</sup>	2,112,520	2,203,777	33,265	4.3
Other liabilities <sup>(2)</sup>	1,416,616	1,498,348	22,616	5.8
Minority interest	25,058	33,556	507	33.9
Total liabilities	7,413,746	8,246,455	124,475	11.2
Equity share capital	11,597	11,632	175	0.3
Reserves and surplus <sup>(3)</sup>	835,449	929,475	14,030	11.3
Total liabilities (including capital and reserves)	Rs. 8,260,792	Rs. 9,187,562	US\$ 138,680	11.2 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes proposed dividend (including corporate dividend tax) of Rs. 32.9 billion for fiscal 2016 (fiscal 2015: Rs. 32.7 billion).

(3) Includes employees' stock options outstanding.

Our total liabilities (including capital and reserves) increased by 11.2% from Rs. 8,260.8 billion at year-end fiscal 2015 to Rs. 9,187.6 billion at year-end fiscal 2016, primarily due to an increase in deposits and borrowings.

## Deposits

Deposits increased by 16.9% from Rs. 3,859.6 billion at year-end fiscal 2015 to Rs. 4,510.8 billion at year-end fiscal 2016. Deposits of ICICI Bank increased by 16.6% from Rs. 3,615.6 billion at year-end fiscal 2015 to Rs. 4,214.3 billion at year-end fiscal 2016. Term deposits of ICICI Bank increased by 15.8% from Rs. 1,971.8 billion at year-end fiscal 2015 to Rs. 2,283.3 billion at year-end fiscal 2016. The current and savings account deposits of ICICI Bank increased from Rs. 1,643.8 billion at year-end fiscal 2015 to Rs. 1,931.0 billion at year-end fiscal 2016. Savings account deposits increased by 16.9% from Rs. 1,148.6 billion at year-end fiscal 2015 to Rs. 1,342.3 billion at year-end fiscal 2016 and current account deposits increased by 18.9% from Rs. 495.2 billion at year-end fiscal 2015 to Rs. 588.7 billion at year-end fiscal 2016. Deposits of overseas branches, in dollar terms, decreased by 5.6% from US\$ 1.8 billion at year-end fiscal 2015 to US\$ 1.7 billion at year-end fiscal 2016 and, in rupee terms, decreased by 2.2% from Rs. 112.5 billion at year-end fiscal 2015 to Rs. 110.0 billion at year-end fiscal 2016.

Deposits of ICICI Bank Canada increased from Rs. 109.3 billion at year-end fiscal 2015 to Rs. 140.0 billion at year-end fiscal 2016, primarily due to an increase in term deposits from Rs. 78.9 billion at year-end fiscal 2015 to Rs. 101.9 billion at year-end fiscal 2016 and an increase in current account deposits from Rs. 4.6 billion at year-end fiscal 2015 to Rs. 7.2 billion at year-end fiscal 2016.

Deposits of ICICI Bank UK increased from Rs. 142.8 billion at year-end fiscal 2015 to Rs. 163.4 billion at year-end fiscal 2016, primarily due to an increase in savings and current deposits, offset, in part, by a decrease in term deposits.

Our total term deposits increased from Rs. 2,133.9 billion at year-end fiscal 2015 to Rs. 2,462.8 billion at year-end fiscal 2016, while savings deposits increased from Rs. 1,221.1 billion at year-end fiscal 2015 to Rs. 1,444.6 billion at year-end fiscal 2016. At year-end fiscal 2016, deposits formed 67.2% of our funding (i.e., deposits and borrowings, including subordinated debt and redeemable non-cumulative preference shares). See also “*Business—Funding*”.

## Borrowings

Borrowings (including redeemable non-cumulative preference shares and subordinated debt) increased by 4.3% from Rs. 2,112.5 billion at year-end fiscal 2015 to Rs. 2,203.8 billion at year-end fiscal 2016. Borrowings of ICICI Bank increased by 1.4% from Rs. 1,724.2 billion at year-end fiscal 2015 to Rs. 1,748.1 billion at year-end fiscal 2016, primarily due to an increase in foreign currency bond borrowings, refinance borrowings and foreign currency term money borrowing, offset, in part, by a decrease in borrowings from the Reserve Bank of India under the liquidity adjustment facility. Borrowings of overseas branches, in U.S. dollar terms, decreased from US\$ 15.3 billion at year-end fiscal 2015 to US\$ 14.7 billion at year-end fiscal 2016. However, due to rupee depreciation from Rs. 62.50 per U.S. dollar at year-end fiscal 2015 to Rs. 66.26 per U.S. dollar at year-end fiscal 2016, borrowings of overseas branches, in rupee terms, increased by 2.3% from Rs. 954.0 billion at year-end fiscal 2015 to Rs. 976.4 billion at year-end fiscal 2016.

Borrowings of ICICI Bank UK increased from Rs. 71.5 billion at year-end fiscal 2015 to Rs. 98.7 billion at year-end fiscal 2016 primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings, offset, in part, by a decrease in repo borrowings.

Borrowings of ICICI Bank Canada increased from Rs. 133.8 billion at year-end fiscal 2015 to Rs. 153.8 billion at year-end fiscal 2016, primarily due to an increase in securitization of insured mortgages.

Borrowings of ICICI Bank Home Finance Company increased from Rs. 64.1 billion at year-end fiscal 2015 to Rs. 74.5 billion at year-end fiscal 2016 primarily due to an increase in unsecured bond borrowings. See also “*Business—Funding*”.

## Other liabilities

Other liabilities primarily consist of liabilities on insurance policies in force pertaining to our insurance subsidiaries and proposed dividend including corporate dividend tax. Other liabilities increased by 5.8% from Rs. 1,416.6 billion at year-end fiscal 2015 to Rs. 1,498.3 billion at year-end fiscal 2016, primarily due to an increase in liabilities on policies in force of our life insurance business by Rs. 34.3 billion from Rs. 936.2 billion at year-end fiscal 2015 to Rs. 970.5 billion at year-end fiscal 2016 and creation of collective contingency and related reserve of Rs. 36.0 billion, offset, in part, by a decrease in mark-to-market amount and payables on foreign exchange and derivatives transactions.

Other liabilities include proposed dividends (including corporate dividend tax) of Rs. 32.9 billion in fiscal 2016 compared to Rs. 32.7 billion in fiscal 2015. In India, dividends declared for a fiscal year are normally paid in the following year. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which were paid in fiscal 2016.



We declared a dividend of Rs. 5.00 per equity share for fiscal 2016, which has been paid in fiscal 2017.

#### Equity share capital and reserves

Stockholders' equity increased from Rs. 847.0 billion at year-end fiscal 2015 to Rs. 941.1 billion at year-end fiscal 2016 primarily due to the annual accretion to reserves out of profit and creation of revaluation reserve on fixed assets, offset, in part, by dividend proposed by the Bank for fiscal 2016. See also "*Consolidated Financial Statements- Schedules- Schedule 18-Notes forming part of the accounts- 14. Provision on Funded Interest Term Loan*".

#### Fiscal 2015 to Fiscal 2014

#### Summary

Our net profit increased by 10.9% from Rs. 110.4 billion in fiscal 2014 to Rs. 122.5 billion in fiscal 2015 primarily due to an increase in net interest income by 14.6% and an increase in non-interest income by 17.2%, offset, in part, by an increase in non-interest expenses by 14.2% and an increase in provisions (excluding provisions for tax) by 56.4%.

The increase in net interest income by 14.6% from Rs. 197.7 billion in fiscal 2014 to Rs. 226.5 billion in fiscal 2015 reflects a 10.6% increase in average interest-earning assets and an increase in net interest margin by 11 basis points.

Provisions and contingencies (excluding provisions for tax) increased by 56.4% from Rs. 29.0 billion in fiscal 2014 to Rs. 45.4 billion in fiscal 2015, primarily due to an increase in provisions for non-performing and restructured assets and an increase in provision for investments. The provision for non-performing and restructured assets increased primarily on account of an increase in additions to non-performing assets (including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms).

Non-interest income increased by 17.2% from Rs. 300.8 billion in fiscal 2014 to Rs. 352.5 billion in fiscal 2015 primarily due to an increase in premium and other operating income relating to insurance business, profit from treasury-related activities and commission, exchange and brokerage income, offset, in part, by a decrease in profit on sale of land, buildings and other assets. Income relating to our insurance business increased from Rs. 193.3 billion in fiscal 2014 to Rs. 220.8 billion in fiscal 2015 primarily due to an increase in income from our life insurance business. Profit from treasury-related activities increased from Rs. 31.4 billion in fiscal 2014 to Rs. 46.7 billion in fiscal 2015 primarily due to higher gains on government securities and other fixed income positions, realized gains/reversal of marked-to market losses on our equity portfolio and net exchange gains relating to overseas operations, offset, in part, by a decrease in profit on security receipts. Commission, exchange and brokerage income increased from Rs. 73.2 billion in fiscal 2014 to Rs. 83.9 billion in fiscal 2015 primarily due to an increase in transaction banking fees and commercial banking fees, offset, in part, by a decrease in lending linked fees. Fee income of ICICI Securities increased primarily due to an increase in brokerage income and third party product distribution fees. Further, there was an increase in average assets under management and margins on mutual fund operations of ICICI Prudential Asset Management Company.

Non-interest expense increased by 14.2% from Rs. 306.7 billion in fiscal 2014 to Rs. 350.2 billion in fiscal 2015 primarily due to an increase in expenses related to insurance business, payments to and provisions for employees and other administrative expenses. Expenses related to insurance business increased from Rs. 162.4 billion in fiscal 2014 to Rs. 191.6 billion in fiscal 2015 primarily due to an increase in expenses of our life insurance business driven by the growth in business volumes. Employee expenses increased from Rs. 59.7 billion in fiscal 2014 to Rs. 65.7 billion in fiscal 2015 primarily due to annual increments and promotions and a higher provision requirement for retirement benefit obligation due to a decrease in the discount rate, which is linked to the yield on government securities.

The corporate sector continued to experience challenges in fiscal 2015. The prolonged economic slowdown and relatively gradual recovery has resulted in continued additions to non-performing and restructured loans as well as an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. *See also "Business – Classification of Loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers"*. Net non-performing assets increased by 73.1% from Rs. 44.6 billion at year-end fiscal 2014 to Rs. 77.2 billion at year-end fiscal 2015 primarily due to an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. Net restructured assets decreased marginally from Rs. 122.2 billion at year-end fiscal 2014 to Rs. 121.3 billion at year-end fiscal 2015 primarily due to classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms, offset, in part, by new loans restructured (including increase in loans to borrowers restructured in earlier periods) in fiscal 2015.

Loans increased by 13.2% from Rs. 3,873.4 billion at year-end fiscal 2014 to Rs. 4,384.9 billion at year-end fiscal 2015 primarily due to an increase in domestic retail and corporate loans. Deposits increased by 7.4% from Rs. 3,595.1 billion at year-end fiscal 2014 to Rs. 3,859.6 billion at year-end fiscal 2015, primarily due to an increase in savings and current account deposits and term deposits. We continued to expand our branch network in India during the year. ICICI Bank's branch network in India increased from 3,753 at year-end fiscal 2014 to 4,050 at year-end fiscal 2015. ICICI Bank also increased its ATM network from 11,315 ATMs at year-end fiscal 2014 to 12,451 ATMs at year-end fiscal 2015.

The capital adequacy ratios of ICICI Bank on an unconsolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2015 were: common equity Tier 1 risk-based capital ratio of 12.8%; Tier 1 risk-based capital ratio of 12.8%; and total risk-based capital ratio of 17.0%. Our capital adequacy ratios on a consolidated basis in accordance with the Reserve Bank of India's guidelines on Basel III, at year-end fiscal 2015 were: common equity Tier 1 risk-based capital ratio of 12.8%; Tier 1 risk-based capital ratio of 12.9%; and total risk-based capital ratio of 17.2%.

## Net Interest Income

The following table sets forth, for the periods indicated, the principal components of a net interest income.

	Year ended March 31,			2015/2014	
	2014	2015	2015	% change	
	(in millions, except percentages)				
Interest income <sup>(1)</sup>	Rs.494,792	Rs.549,640	US\$8,296	11.1	%
Interest expense	(297,106)	(323,182)	(4,878)	8.8	%
Net interest income	Rs.197,686	Rs.226,458	US\$3,418	14.6	%

(1) Tax exempt income has not been re-calculated on a tax-equivalent basis.

Net interest income increased by 14.6% from Rs. 197.7 billion in fiscal 2014 to Rs. 226.5 billion in fiscal 2015, reflecting an increase of 10.6% in the average volume of interest-earning assets and an increase in net interest margin by 11 basis points from 3.44% in fiscal 2014 to 3.55% in fiscal 2015.

*Net interest margin*

Net interest margin increased by 11 basis points from 3.44% in fiscal 2014 to 3.55% in fiscal 2015. There was an increase of 23 basis points in the net interest margin on the rupee portfolio.

The yield on the rupee portfolio increased by 2 basis points from 9.95% in fiscal 2014 to 9.97% in fiscal 2015 primarily due to the following:

The yield on rupee advances decreased from 12.19% in fiscal 2014 to 12.09% in fiscal 2015. The yield on rupee investments decreased from 8.04% in fiscal 2014 to 7.98% in fiscal 2015. The yield on other interest-earning assets decreased marginally from 3.76% in fiscal 2014 to 3.75% in fiscal 2015. However, overall yield on rupee portfolio increased primarily due to an increase in the proportion of advances in the portfolio.

The yield on rupee advances decreased from 12.19% in fiscal 2014 to 12.09% in fiscal 2015 primarily due to an increase in the lower yielding secured retail portfolio and incremental corporate lending at lower rates due to softening of interest rates and lower credit demand. In response to the reduction in repo rate by 50 basis points from

8.00% to 7.50% in two phases on January 15, 2015 and March 4, 2015 by the Reserve Bank of India, the Bank reduced its base rate by 25 basis points to 9.75% with effect from April 10, 2015 and further by 5 basis points to 9.70% with effect from June 26, 2015. The impact of this decrease and any further reduction in base rate will reflect in the yield on advances in fiscal 2016. See also “Business—Loan portfolio—Loan pricing”.

The yield on interest-earning rupee investments decreased from 8.04% in fiscal 2014 to 7.98% in fiscal 2015 primarily due to a decrease in yield on investments other than statutory liquidity ratio investments. The yield on investments other than statutory liquidity ratio investments decreased primarily on account of a decrease in yield on pass through certificates and bond and debentures. This decline was offset, in part, by an increase in yield on statutory liquidity ratio investments primarily due to purchase of medium tenor securities at higher yields in the held-to-maturity category, maturity/sale of lower-yielding shorter tenor securities in fiscal 2015 and re-set of coupons on floating rate bonds at a higher yield as compared to fiscal 2014. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits have been re-grouped from investments to other assets. Accordingly, figures for comparative periods have also been re-grouped.

The yield on other interest-earning rupee assets decreased marginally from 3.76% in fiscal 2014 to 3.75% in fiscal 2015 primarily due to maturity of higher yielding deposits with banks, offset, in part by an increase in the yield on Rural Infrastructure Development Fund and other related deposits.

Interest on income tax refunds increased from Rs. 2.0 billion in fiscal 2014 to Rs. 2.8 billion in fiscal 2015. The receipt, amount and timing of such income depend on the nature and timing of determinations by tax authorities and are neither consistent nor predictable.

The cost of funds for the rupee portfolio decreased by 18 basis points from 7.34% in fiscal 2014 to 7.16% in fiscal 2015 primarily due to the following factors:

The cost of rupee deposits decreased from 6.40% in fiscal 2014 to 6.34% in fiscal 2015 primarily due to an increase in average current and savings account deposits and a decrease in the cost of rupee term deposits. The average current and savings account deposits as a percentage of total rupee deposits increased from 41.9% in fiscal 2014 to 42.6% in fiscal 2015. The cost of rupee term deposits decreased from 8.78% in fiscal 2014 to 8.75% in fiscal 2015. In fiscal 2015, the Bank reduced the term deposit rates on select maturities, effective November 28, 2014. The full impact of this decrease will reflect in the cost of deposits in fiscal 2016.

The cost of rupee borrowings decreased from 11.02% in fiscal 2014 to 10.50% in fiscal 2015.

The yield on our foreign currency portfolio decreased by 7 basis points from 4.41% in fiscal 2014 to 4.34% in fiscal 2015 primarily due to the following:

The yield on assets of ICICI Bank Canada decreased primarily due to sale/maturity of government securities with higher yields, prepayments/repayments of higher yielding loans and an increase in the lower yielding securitized insured mortgages portfolio.

The yield on assets of overseas branches of ICICI Bank decreased in fiscal 2015 as compared to fiscal 2014 primarily due to a decrease in the yield on loans. The yield on loans decreased primarily due to refinancing/prepayment of existing loans and incremental lending at lower rates in fiscal 2015.

This was, offset, in part, by an increase in yield on assets of ICICI Bank UK, which increased primarily due to an increase in yield on loans, offset, in part, by a decrease in yield on investments.

The cost of funds for the foreign currency portfolio increased by 25 basis points from 3.16% in fiscal 2014 to 3.41% in fiscal 2015, due to the following factors:

The cost of funds for ICICI Bank's foreign currency funding increased primarily on account of an increase in the cost of term deposits. The cost of term deposits increased in fiscal 2015 due to the full impact of foreign currency non-resident (bank) deposits mobilized in fiscal 2014. There was a marginal increase in cost of borrowings in fiscal 2015 as compared to fiscal 2014.

The above increase was offset, in part, by a decrease in cost of funds of ICICI Bank Canada and ICICI Bank UK.

The cost of funds of ICICI Bank Canada decreased due to a decrease in the cost of deposits and the cost of borrowings. The cost of deposits decreased on account of maturities of high cost term deposits in fiscal 2015. The cost of borrowings decreased on account of a higher proportion of low cost borrowings under insured mortgages securitization borrowings in the total borrowings in fiscal 2015.

The cost of funds of ICICI Bank UK decreased due to a decrease in the cost of deposits and the cost of borrowings. The cost of deposits decreased on account of maturities of high cost retail term deposits and an increase in institutional term deposits and term deposits raised at lower rates. The cost of borrowings decreased due to repayment of high cost borrowings and lower cost overnight and term borrowings raised in fiscal 2015.

#### Interest-earning assets

The average volume of interest-earning assets increased by 10.6% from Rs. 5,830.6 billion in fiscal 2014 to Rs. 6,449.2 billion in fiscal 2015. The increase in interest-earning assets was primarily due to an increase in average loans by Rs. 460.0 billion and an increase in average interest-earning investments by Rs. 92.2 billion.

Average loans increased by 12.8% from Rs. 3,589.3 billion in fiscal 2014 to Rs. 4,049.3 billion in fiscal 2015. Average rupee loans increased from Rs. 2,306.4 billion in fiscal 2014 to Rs. 2,655.8 billion in fiscal 2015 primarily due to an increase in retail loans. Average foreign currency loans increased from Rs. 1,282.8 billion in fiscal 2014 to Rs. 1,393.5 billion in fiscal 2015, primarily due to the impact of the depreciation of the rupee against the U.S. dollar, an increase in the insured mortgage portfolio of ICICI Bank Canada and an increase in corporate loans of ICICI Bank UK.

Average interest-earning investments increased by 5.3% from Rs. 1,731.1 billion in fiscal 2014 to Rs. 1,823.3 billion in fiscal 2015. Average rupee investments increased from Rs. 1,633.3 billion in fiscal 2014 to Rs. 1,746.9 billion in fiscal 2015 primarily due to an increase in investments in Indian government securities by 8.1% from Rs. 1,145.1 billion in fiscal 2014 to Rs. 1,238.1 billion in fiscal 2015. Interest-earning investments, other than Indian government securities include investments in corporate bonds and debentures, certificates of deposits, commercial paper, pass through certificates and investments in liquid mutual funds. Average rupee investments other than in Indian government securities increased from Rs. 488.2 billion in fiscal 2014 to Rs. 508.8 billion in fiscal 2015. In accordance with the Reserve bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits have been re-grouped from investments to other assets. Accordingly, figures for comparative periods have also been re-grouped. Average foreign currency investments decreased from Rs. 97.7 billion in fiscal 2014 to Rs. 76.5 billion in fiscal 2015 primarily due to a decrease in average investments of ICICI Bank Canada on account of re-classification of corporate bonds from investment to loans and advances in fiscal 2014.

#### Interest-bearing liabilities

Average interest-bearing liabilities increased by 9.0% from Rs. 4,996.4 billion in fiscal 2014 to Rs. 5,445.8 billion in fiscal 2015 on account of an increase in average deposits by Rs. 363.7 billion and an increase in average borrowings by Rs. 85.7 billion. Average term deposits increased from Rs. 1,934.3 billion in fiscal 2014 to Rs. 2,155.2 billion in fiscal 2015. Average current and savings account deposits increased from Rs. 1,241.5 billion in fiscal 2014 to Rs. 1,384.3 billion in fiscal 2015. Average borrowings increased from Rs. 1,820.6 billion in fiscal 2014 to Rs. 1,906.3 billion in fiscal 2015 due to an increase in bond borrowings and refinance borrowings, offset, in part, by a decrease in call borrowing including repo borrowings. The overseas borrowings of ICICI Bank in rupee terms increased primarily due to the impact of depreciation of the rupee against the U.S. dollar.

Average deposits of ICICI Bank UK increased primarily due to an increase in average term deposits and average savings account deposits. Average borrowings of ICICI Bank UK decreased due to repayment of syndicated loans and repo borrowings, offset, in part, by an increase in inter-bank borrowings and bond borrowings. Average borrowings of ICICI Bank Canada increased primarily on account of an increase in borrowings through securitization of mortgages. However, there was a decrease in average deposits of ICICI Bank Canada due to a decrease in average savings account deposits and average term deposits. ICICI Bank Canada funds its mortgage loan portfolio through securitization borrowings. The non-mortgage loan portfolio of ICICI Bank Canada decreased due to maturity of loans, resulting in lower requirement of deposit funding in fiscal 2015. As a result, deposits of ICICI Bank Canada decreased at year-end fiscal 2015 as compared to year-end fiscal 2014.

See also “*Risk Factors—Risks Relating to Our Business—Our banking and trading activities are particularly vulnerable to interest rate risk and volatility in interest rates could adversely affect our net interest margin, the value of our fixed income portfolio, our income from treasury operations, the quality of our loan portfolio and our financial performance*”.

#### Non-Interest Income



The following table sets forth, for the periods indicated, the principal components of non-interest income.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Commission, exchange and brokerage	Rs. 73,241	Rs. 83,939	US\$ 1,267	14.6 %
Profit/(loss) on treasury-related activities (net) <sup>(1)</sup>	31,378	46,694	705	48.8
Profit/(loss) on sale of land, buildings and other assets (net)	1,352	34	1	(97.5 )
Premium and other operating income from insurance business	193,319	220,771	3,332	14.2
Miscellaneous income	1,556	1,085	16	(30.3 )
Total non-interest income	Rs. 300,846	Rs. 352,523	US\$ 5,321	17.2 %

(1) Includes profit/(loss) on the sale/revaluation of investments and exchange transactions.

Non-interest income primarily includes income pertaining to our insurance business, commission, exchange and brokerage income, profit/(loss) on treasury-related activities and other miscellaneous income. This analysis of non-interest income should be read against the backdrop of global and Indian economic developments, financial market activities, the competitive environment, client activity levels and our strategy, as detailed in earlier sections.

Non-interest income increased by 17.2% from Rs. 300.8 billion in fiscal 2014 to Rs. 352.5 billion in fiscal 2015 primarily due to an increase in premium and other operating income relating to insurance business, profit on treasury-related activities and commission, exchange and brokerage income.

#### Commission, exchange and brokerage

Commission, exchange and brokerage income primarily includes fees from our banking business as well as fee and brokerage income of our securities broking, asset management and venture capital fund management subsidiaries. The fee income of our banking business primarily includes fees from corporate clients such as loan processing fees, transaction banking fees and structuring fees and fees from retail customers such as loan processing fees, credit card fees and service charges on retail deposit accounts.

Commission, exchange and brokerage income increased by 14.6% from Rs. 73.2 billion in fiscal 2014 to Rs. 83.9 billion in fiscal 2015. Commission, exchange and brokerage income of ICICI Bank increased from Rs. 63.1 billion in fiscal 2014 to Rs. 69.8 billion in fiscal 2015. Further, there was an increase in brokerage income of our securities broking subsidiary and management fees of our asset management subsidiary.

The commission, exchange and brokerage income of ICICI Bank increased primarily due to an increase in credit card fees and other transaction banking fees and commercial banking fees, offset, in part, by a decrease in lending linked fees.

Brokerage income and third party product distribution fees of our securities broking subsidiary increased primarily due to higher business volumes and increased capital market activities. Further, there was an increase in management fees of our asset management subsidiary primarily due to an increase in average assets under management, change in mix in favor of equity mutual funds which earns higher fees and an increase in margins on mutual fund schemes.

#### Profit/(loss) on treasury-related activities (net)

The profit/(loss) on treasury-related activities includes income from the sale of investments and the revaluation of investments on account of changes in unrealized profit/(loss) in the fixed income, equity and preference share portfolio, units of venture capital and private equity funds, units of mutual funds and security receipts issued by asset reconstruction companies. It also includes income from foreign exchange transactions, consisting of various foreign exchange and derivatives transactions with clients, including options and swaps. Profit from treasury-related activities increased by 48.8% from Rs. 31.4 billion in fiscal 2014 to Rs. 46.7 billion in fiscal 2015. The increase in income from treasury-related activities in fiscal 2015 was primarily due to higher gains on government securities and other fixed income positions, realized gains/reversal of marked-to market losses on equity portfolio and net exchange gain relating to overseas operations, offset, in part, by a decrease in profit on security receipts.

Our profit on the government securities portfolio and other fixed income positions increased from Rs. 5.9 billion in fiscal 2014 to Rs. 16.1 billion in fiscal 2015 primarily due to a decrease in yield in fiscal 2015. The yield on 10-year government of India securities decreased from 8.80% at year-end fiscal 2014 to 7.74% at year-end fiscal 2015.

Our profit on the equity portfolio increased from Rs. 2.2 billion in fiscal 2014 to Rs. 3.3 billion in fiscal 2015 primarily due to higher realized gains/reversal of mark-to market losses on the equity portfolio in fiscal 2015 as equity markets improved in fiscal 2015.

At year-end fiscal 2015, the Bank had an outstanding net investment of Rs. 8.4 billion in security receipts issued by asset reconstruction companies in relation to the sale of non-performing assets. Realized/unrealized gain on security receipts decreased from Rs. 2.0 billion in fiscal 2014 to Rs. 0.9 billion in fiscal 2015.

Our income from foreign exchange transactions including transactions with clients and margins on derivatives transactions with clients increased from Rs. 16.3 billion in fiscal 2014 to Rs. 18.5 billion in fiscal 2015. This includes net exchange gain relating to overseas operations which increased from Rs. 2.2 billion in fiscal 2014 to Rs. 6.4 billion in fiscal 2015. The exchange gain arose from repatriation of retained earnings from overseas branches. The above gain was, offset, in part, by lower income from foreign exchange and derivatives transactions in view of the stability in the rupee in fiscal 2015 as compared to the significant volatility witnessed in fiscal 2014, which had resulted in higher forex market volumes in fiscal 2014.

#### Income relating to our insurance business

Income from our insurance business increased from Rs. 193.3 billion in fiscal 2014 to Rs. 220.8 billion in fiscal 2015, primarily due to an increase in income from our life insurance business, from Rs. 145.5 billion in fiscal 2014 to Rs. 172.8 billion in fiscal 2015. Income from our general insurance business increased marginally from Rs. 47.8 billion in fiscal 2014 to Rs. 48.0 billion in fiscal 2015. Income from our insurance business includes net premium income, fee and commission income, surrender charges and income on foreclosure of policies.

Net premium income of our life insurance subsidiary increased from Rs. 122.7 billion in fiscal 2014 to Rs. 151.5 billion in fiscal 2015. The premium income (gross of premium on reinsurance ceded) of ICICI Prudential Life Insurance Company increased by 23.2% from Rs. 124.3 billion in fiscal 2014 to Rs. 153.1 billion in fiscal 2015 primarily due to an increase in retail new business premium. Retail new business premium increased by 37.3% from Rs. 35.9 billion in fiscal 2014 to Rs. 49.3 billion in fiscal 2015. Retail renewal premium increased by 18.1% from Rs. 81.0 billion in fiscal 2014 to Rs. 95.7 billion in fiscal 2015. Group premium increased by 8.1% from Rs. 7.4 billion in fiscal 2014 to Rs. 8.0 billion in fiscal 2015.

Fee and other life insurance related income of our life insurance subsidiary decreased from Rs. 22.8 billion in fiscal 2014 to Rs. 21.3 billion in fiscal 2015 primarily due to a decrease in surrender charges, income on foreclosure of policies and policy fees.

The net premium income of our general insurance subsidiary decreased from Rs. 42.2 billion in fiscal 2014 to Rs. 41.0 billion in fiscal 2015 primarily due to the decline in weather and health insurance business. In fiscal 2015, due to pricing challenges in the market, our general insurance subsidiary reduced its business in group and mass health segment and adopted a cautious approach to weather insurance segment.

Commission income of our general insurance subsidiary increased from Rs. 5.6 billion in fiscal 2014 to Rs. 7.0 billion in fiscal 2015, primarily due to an increase in commission on reinsurance ceded in retail health insurance business.

## Miscellaneous income

Miscellaneous income decreased from Rs. 1.6 billion in fiscal 2014 to Rs. 1.1 billion in fiscal 2015.

## Non-Interest Expense

The following table sets forth, for the periods indicated, the principal components of non-interest expense.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Payments to and provisions for employees	Rs. 59,688	Rs. 65,683	US\$ 991	10.0 %
Depreciation on own property	6,876	7,632	115	11.0
Auditor's fees and expenses	210	222	3	5.7
Depreciation on leased assets	317	351	5	10.7
Expenses pertaining to insurance business	162,367	191,640	2,893	18.0
Other administrative expenses	77,206	84,700	1,279	9.7
Total non-interest expenses	Rs. 306,664	Rs. 350,228	US\$ 5,286	14.2 %

Non-interest expense primarily includes expenses relating to our insurance business, payment to and provision for employees and other administrative expenses. Operating expenses increased from Rs. 306.7 billion in fiscal 2014 to Rs. 350.2 billion in fiscal 2015 primarily due to an increase in expenses related to insurance business, payments to and provisions for employees and other administrative expenses.

#### Payments to and provisions for employees

Employee expenses increased by 10.0% from Rs. 59.7 billion in fiscal 2014 to Rs. 65.7 billion in fiscal 2015. Our employee base, including sales executives, employees on fixed term contracts and interns, decreased from 94,204 at year-end fiscal 2014 to 90,486 at year-end fiscal 2015.

The employee expenses of ICICI Bank increased by 12.6% from Rs. 42.2 billion in fiscal 2014 to Rs. 47.5 billion in fiscal 2015. Employee expenses increased primarily due to annual increments and promotions and a higher provision requirement for retirement benefit obligations due to a decrease in discount rate, which is linked to the yield on government securities. Pension related costs increased from Rs. 1.6 billion in fiscal 2014 to Rs. 3.6 billion in fiscal 2015.

The employee base of ICICI Bank, including sales executives, employees on fixed term contracts and interns, decreased from 72,226 employees at year-end fiscal 2014 to 67,857 employees at year-end fiscal 2015. The reduction in the employee base reflects our focus on productivity, and was primarily due to not fully replacing employee attrition. Our employee base had increased significantly in earlier years. We expect the employee base to an increase in fiscal 2016.

The employee expenses of ICICI Securities Limited increased by 21.2% from Rs. 3.3 billion in fiscal 2014 to Rs. 4.0 billion in fiscal 2015 primarily on account of annual increments and provision for performance-linked bonus. Employee expenses of ICICI Lombard General Insurance Company increased by 6.3% from Rs. 3.2 billion in fiscal 2014 to Rs. 3.4 billion in fiscal 2015. Employee expenses of ICICI Prudential Life Insurance Company decreased by 4.2% from Rs. 7.2 billion in fiscal 2014 to Rs. 6.9 billion in fiscal 2015.

#### Depreciation

Depreciation on owned property increased from Rs. 6.9 billion in fiscal 2014 to Rs. 7.6 billion in fiscal 2015 due to an increase in fixed assets with higher depreciation rates. Depreciation on leased assets increased from Rs. 0.3 billion in fiscal 2014 to Rs. 0.4 billion in fiscal 2015.

## Other administrative expenses

Other administrative expenses primarily include rent, taxes and lighting, advertisement and publicity, repairs and maintenance, direct marketing agency expenses and other expenditures. Other administrative expenses increased by 9.7% from Rs. 77.2 billion in fiscal 2014 to Rs. 84.7 billion in fiscal 2015, primarily due to an increase in expenses of ICICI Bank, our asset management subsidiary and our general insurance subsidiary. Other administrative expenses of ICICI Bank increased from Rs. 55.1 billion in fiscal 2014 to Rs. 60.8 billion in fiscal 2015 primarily on account of an increase in the branch and ATM network of the Bank and an increase in retail business volume. The number of branches of ICICI Bank in India increased from 3,753 at year-end fiscal 2014 to 4,050 at year-end fiscal 2015. ICICI Bank also increased its ATM network from 11,315 ATMs at year-end fiscal 2014 to 12,451 ATMs at year-end fiscal 2015. There was an increase in the distribution expenses of our asset management subsidiary in fiscal 2015 compared to fiscal 2014, reflecting the growth in business particularly of equity mutual funds. Further, advertisement expenses and other business support expenses of our general insurance subsidiary increased in fiscal 2015 compared to fiscal 2014.

## Expenses related to our insurance business

Expenses related to our insurance business include claims and benefit payouts, commission expenses and reserves for actuarial liability (including the investible portion of the premium on unit-linked policies of our life insurance business). Expenses relating to our insurance business increased by 18.0% from Rs. 162.4 billion in fiscal 2014 to Rs. 191.6 billion in fiscal 2015.

The expenses related to our life insurance subsidiary increased from Rs. 123.5 billion in fiscal 2014 to Rs. 154.6 billion in fiscal 2015. The expenses related to reserves for actuarial liability (including the investible portion of the premium on unit-linked policies) increased from Rs. 110.3 billion in fiscal 2014 to Rs. 143.3 billion in fiscal 2015. Claims and benefit payouts and commission expenses decreased from Rs. 13.2 billion in fiscal 2014 to Rs. 11.3 billion in fiscal 2015.

In fiscal 2015, the reserves for the actuarial liability of the life insurance business (including the investible portion of the premium on unit-linked policies) increased from Rs. 110.3 billion in fiscal 2014 to Rs. 143.3 billion in fiscal 2015, primarily due to an increase in the volume of our unit-linked insurance business. The investible portion of the premium on linked policies of our life insurance business represents the amount of premium, including renewal premium received on linked policies of life insurance business invested, after deducting charges and the premium for risk coverage, in the underlying fund. The claims and benefit payouts and commission expenses decreased from Rs. 13.2 billion in fiscal 2014 to Rs. 11.3 billion in fiscal 2015, primarily due to a decrease in surrender claims pertaining to group business and lower commission expenses due to a change in product mix from conventional products to linked products. In line with Indian accounting norms for insurance companies, we do not amortize the customer acquisition cost, but account for the expenses as incurred.

The expenses related to our general insurance subsidiary decreased from Rs. 38.9 billion in fiscal 2014 to Rs. 37.0 billion in fiscal 2015. Claims and benefit payouts decreased from Rs. 36.2 billion in fiscal 2014 to Rs. 34.4 billion in fiscal 2015, primarily due to a decrease in loss ratio of aviation insurance business, health insurance business and weather insurance business and lower provision on the declined risk pool. The commission expenses decreased marginally from Rs. 2.7 billion in fiscal 2014 to Rs. 2.6 billion in fiscal 2015.

See also “*Business—Overview of Our Products and Services—Insurance*”.

#### Provisions and contingencies (excluding tax provisions)

The following table sets forth, for the periods indicated, the composition of provisions and contingencies, excluding provisions for tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Provision for investments (net)	Rs. 1,629	Rs. 4,129	US\$ 62	153.5 %
Provision for non-performing and other assets	24,818	36,307	548	46.3
Provision for standard assets	1,592	3,928	59	146.7
Others	964	999	15	3.6
Total provisions and contingencies (excluding tax)	Rs. 29,003	Rs. 45,363	US\$ 684	56.4 %

Provisions are generally made by ICICI Bank on standard, substandard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and unsecured portions of doubtful assets are provided for/written off to the extent required by Reserve Bank of India guidelines. For loans and advances of overseas branches, provisions are made as per the Reserve Bank of India regulations or host country regulations whichever is higher. Subject to the minimum provisioning levels prescribed by the Reserve Bank of India, provisions on non-performing retail loans are made at the



borrower level in accordance with our provisioning policy. The specific provisions on retail loans held by ICICI Bank are higher than the minimum regulatory requirement. Provision on loans and advances restructured/rescheduled is made in accordance with the applicable Reserve Bank of India guidelines on restructuring of loans and advances by banks. In addition to the specific provision on non-performing assets, ICICI Bank maintains a general provision on performing loans and advances at rates prescribed by the Reserve Bank of India. For performing loans and advances in overseas branches, the general provision is made at higher of host country regulatory requirements and the Reserve Bank of India requirement. See also “*Business—Loan portfolio—Classification of Loans*”.

Provisions and contingencies (excluding provisions for tax) increased by 56.4% from Rs. 29.0 billion in fiscal 2014 to Rs. 45.4 billion in fiscal 2015, primarily due to an increase in provisions for non-performing and restructured assets and an increase in provision for investments. The provision for non-performing and restructured assets increased from Rs. 24.8 billion in fiscal 2014 to Rs. 36.3 billion in fiscal 2015 primarily due to higher provisions on commercial loans. Prior to fiscal 2012, our corporate loan portfolio experienced significant growth following an improvement in economic conditions in India. Investments by the Indian corporate sector increased sharply during this period, particularly in the infrastructure sector. The Indian banking sector, including us, pursued lending opportunities in the corporate segment during this period. The Indian economy thereafter experienced challenges and a moderation in growth. In fiscal 2012 to fiscal 2014, interest rates increased following a tightening of monetary policy in response to high inflation. The Indian rupee

depreciated sharply against the U.S. dollar following global economic challenges and a deterioration in key external sector parameters for India. The Indian government's fiscal position declined. The corporate sector experienced a decline in sales and profit growth and also an elongation of working capital cycles and a high level of receivables. Corporate investment activity declined due to concerns over administrative clearances and issues around access to land and natural resources. For example, there were concerns over the availability of fuel for thermal and gas-based power plants. Given the concerns over growth, companies found it difficult to access equity capital markets and leverage levels for several companies and sectors increased. In fiscal 2015, there was an improvement in key macroeconomic trends. Economic growth improved, inflation moderated leading to the Reserve Bank of India reducing the repo rate by 50 basis points. The current account deficit reduced and exchange rates remained stable during the year. The formation of a stable government with a strong electoral mandate in May 2014 led to an improvement in market sentiment. However, the corporate sector continues to experience challenges. The government has announced several reforms during the year, with a focus on strengthening the operating environment for the corporate sector. However, these measures are expected to show results only in the medium term. See also "*Executive Summary—Business environment—Trends in fiscal 2015*".

Due to the continuing challenges in the corporate sector, there has generally been an increase in the non-performing loans (including out of loans restructured in earlier periods) and restructured loans of Indian banks, including us, in fiscal 2015. The provision, net of write-back of excess provisions, on commercial loans increased from Rs. 19.9 billion in fiscal 2014 to Rs. 36.3 billion in fiscal 2015, primarily on account of an increase in additions to non-performing (including classification of standard restructured loans to non-performing loans due to failure of the borrowers to perform as expected) in corporate and small and medium enterprises segments.

The provisions, net of write-back of excess provision, against non-performing consumer loans decreased from a net provision of Rs. 2.5 billion in fiscal 2014 to net reversal of provision by Rs. 0.2 billion in fiscal 2015.

See also "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-performing Assets*" and "*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Restructured Loans*".

Our provisioning coverage ratio (specific provisions as a percentage of non-performing advances) at year-end fiscal 2015, computed in accordance with the Reserve Bank of India guidelines, was 58.6%.

Provision for investment increased from Rs. 1.6 billion in fiscal 2014 to Rs. 4.1 billion in fiscal 2015 primarily due to higher provision on certain investments in equity and preference shares.

General provision on standard assets increased from Rs. 1.6 billion in fiscal 2014 to Rs. 3.9 billion in fiscal 2015 primarily due to additional general provisioning on borrowers of ICICI Bank with unhedged foreign currency exposure based on the Reserve Bank of India guidelines. ICICI Bank UK made a general provision in fiscal 2015

compared to a write-back of general provision in fiscal 2014. This was, offset, in part, by higher reversal of general provision in ICICI Bank Canada in fiscal 2015 as compared to fiscal 2014. We held a cumulative general provision of Rs. 25.5 billion at year-end fiscal 2015 compared to Rs. 21.4 billion at year-end fiscal 2014.

Provisions, including general provisions on performing assets, as a percentage of gross customer assets were 2.9% at year-end fiscal 2015 compared to 2.5% at year-end fiscal 2014.

#### Provisions for Restructured Loans and Non-performing Assets

We classify our assets, including those in our overseas branches, as performing and non-performing in accordance with the Reserve Bank of India guidelines, except in the case of ICICI Home Finance Company and our overseas banking subsidiaries. ICICI Home Finance Company classifies its loans and other credit facilities in accordance with the guidelines of its regulator, the National Housing Bank. A loan made by any of our overseas banking subsidiaries is classified as impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and the loss event has an impact on the estimated future cash flows of the loans that can be reliably estimated. Under the Reserve Bank of India guidelines for term loans, such assets are classified as non-performing if any amount of interest or principal remains overdue for more than 90 days. For overdrafts or cash credits, assets are classified as non-performing if the account remains out of order continuously for a period of 90 days and, for bills, if the account remains overdue for more than 90 days. Further, non-performing assets are also classified into sub-

standard, doubtful and loss assets based on the criteria stipulated by the Reserve Bank of India. See also “*Business—Classification of Loans*”.

Our non-performing assets include loans and advances as well as credit substitutes, which are funded credit exposures. In compliance with regulations governing the presentation of financial information by banks, we report only non-performing loans and advances in our financial statements.

The following table sets forth, at the dates indicated, information regarding roll-forward and average balances of restructured loans.

	At March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Opening balance (gross restructured loans)	Rs. 67,307	Rs. 133,448	US\$2,014	98.3 %
Add: Loans restructured during the year	69,372	38,965	588	(43.8 )
Add: Increase in loans outstanding in respect of previously restructured loans/borrowers	7,096	11,207	169	57.9
Less: Loans upgraded to standard category during the year	(876 )	(2,149 )	(32 )	145.4
Less: Loans downgraded to non-performing category during the year	(7,284 )	(45,115 )	(681 )	519.4
Less: Repayments during the year	(2,167 )	(5,569 )	(84 )	157.0
Gross restructured loans	Rs. 133,448	Rs. 130,787	US\$1,974	(2.0 )
Provisions for restructured loans	(11,235 )	(9,458 )	(143 )	(15.8 )
Net restructured loans	Rs. 122,213	Rs. 121,329	US\$1,831	(0.7 )
Average balance of net restructured loans <sup>(1)</sup>	85,603	124,816	1,884	45.8
Gross customer assets	4,615,808	5,149,278	77,725	11.6
Net customer assets	Rs. 4,523,471	Rs. 5,026,019	US\$75,864	11.1
Gross restructured loans as a percentage of gross customer assets	2.9 %	2.5 %		
Net restructured loans as a percentage of net customer assets	2.7 %	2.4 %		

(1) The average balance is the average of quarterly balances outstanding at the end of March of the previous year and June, September, December and March of the current year.

(2) Based on the Reserve Bank of India guidelines effective fiscal 2013, restructured loans include all loans to a borrower where any of the loan facilities have been restructured.

The corporate sector continued to experience challenges in fiscal 2015. The prolonged economic slowdown and relatively gradual recovery has resulted in continued additions to non-performing and restructured loans as well as an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. See also “*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Restructured Loans*”.

In fiscal 2015, loans amounting to Rs. 50.2 billion (including an increase in loans to borrowers restructured in earlier periods) were restructured as compared to Rs. 76.5 billion in fiscal 2014. There were no borrower accounts that were restructured for a second time in fiscal 2015. Classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms increased from Rs. 7.3 billion in fiscal 2014 to Rs. 45.1 billion in fiscal 2015. In fiscal 2015, based on payment performance, we upgraded certain borrower accounts with outstanding loans totaling Rs. 2.1 billion as compared to Rs. 0.9 billion in fiscal 2014. Accordingly, the gross restructured loans decreased by 2.0% from Rs. 133.4 billion at year-end fiscal 2014 to Rs. 130.8 billion at year-end fiscal 2015, while the net restructured loans increased by 0.7% from Rs. 122.2 billion at year-end fiscal 2014 to Rs. 121.3 billion at year-end fiscal 2015. The net restructured loans were 2.4% of net customer assets at year-end fiscal 2015, compared to 2.7% at year-

end fiscal 2014. At year-end fiscal 2015, the diminution in fair value of restructured loans (including the provision for funded interest) was Rs. 9.5 billion compared to Rs. 11.2 billion at year-end fiscal 2014.

The following table sets forth, at the dates indicated, certain information regarding non-performing assets.

	At March 31,		2015	2015/2014 % change
	2014	2015		
	(in millions, except percentages)			
Opening balance (gross non-performing assets	Rs. 107,165	Rs. 122,994	US\$1,857	14.8 %
Add: New non-performing assets during the year	53,600	90,945	1,373	69.7
Less: Loans upgraded to performing during the year	(4,369 )	(5,925 )	(89 )	35.6
Less: Recoveries (excluding recoveries made from upgraded accounts)	(11,249 )	(14,966 )	(226 )	33.0
Less: Write-offs	(22,153 )	(19,178 )	(289 )	(13.4 )
<b>Gross non-performing assets<sup>(1)</sup></b>	Rs. 122,994	Rs. 173,870	US\$2,624	41.4
Provisions for non-performing assets <sup>(1)</sup>	(78,366 )	(96,655 )	(1,459 )	23.3
<b>Net non-performing assets<sup>(1)</sup></b>	Rs. 44,628	Rs. 77,215	US\$1,165	73.0
Gross customer assets	4,615,808	5,149,278	77,725	11.6
Net customer assets	Rs. 4,523,471	Rs. 5,026,019	75,864	11.1
Gross non-performing assets as a percentage of gross customer assets	2.7 %	3.4 %		
Net non-performing assets as a percentage of net customer assets	1.0 %	1.5 %		

(1) Includes loans identified as non-performing/impaired in line with the guidelines issued by regulators of the respective subsidiary.

The prolonged economic slowdown and relatively gradual recovery in fiscal 2015 resulted in continued additions to non-performing and restructured loans as well as an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. See also “*Business – Classification of Loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*”. See also “—*Executive Summary-Business environment-Trends in fiscal 2015*”. Gross additions to non-performing assets increased from Rs. 53.6 billion in fiscal 2014 to Rs. 90.9 billion in fiscal 2015 primarily due to an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms from Rs. 7.3 billion in fiscal 2014 to Rs. 45.1 billion in fiscal 2015. In fiscal 2015, we upgraded non-performing assets amounting to Rs. 5.9 billion and made recoveries against non-performing assets amounting to Rs. 15.0 billion. In fiscal 2015, loans amounting to Rs. 19.2 billion were written-off as compared to Rs. 22.2 billion in fiscal 2014. As a result, gross non-performing assets increased from Rs. 123.0 billion at year-end fiscal 2014 to Rs. 173.9 billion at year-end fiscal 2015.

Gross additions to non-performing commercial loans increased from Rs. 40.8 billion in fiscal 2014 to Rs. 77.9 billion in fiscal 2015 due to higher additions to non-performing loans in the corporate and small & medium enterprise loan portfolio, including classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. Gross additions to non-performing consumer loans increased marginally from Rs. 12.8 billion in fiscal 2014 to Rs. 13.0 billion in fiscal 2015. See also “*Business—Classification of Loans—Impact of Economic Environment on Commercial and Consumer Loan Borrowers—Non-Performing Assets*”.

In fiscal 2015, we sold 14 commercial loans with aggregate book value (net of provision) of Rs. 3.3 billion to an asset reconstruction company. In fiscal 2014, we sold two commercial loans with aggregate book value (net of provision) of Rs. 1.5 billion to an asset reconstruction company. See also “*Business—Classification of Loans—Non-Performing Asset Strategy*”.

As a percentage of net customer assets, net non-performing assets were 1.5% at year-end fiscal 2015, compared to 1.0% at year-end fiscal 2014.

## Tax Expense

Income tax expense increased by 17.1% from Rs. 46.1 billion in fiscal 2014 to Rs. 54.0 billion in fiscal 2015 due to an increase in profit before tax and an increase in the effective tax rate. The effective tax rate increased from 28.3% in fiscal 2014 to 29.4% in fiscal 2015.

Income tax expense of our general insurance subsidiary increased from Rs. 0.1 billion in fiscal 2014 to Rs. 1.6 billion in fiscal 2015. The lower tax expense in fiscal 2014 were primarily due to tax benefit on carried forward business losses of earlier years, which were adjusted with the profit for fiscal 2014 for tax purposes. As per Indian GAAP accounting guidelines, deferred tax was not created on such carried forward business losses in earlier years, resulting in lower effective tax rate for our general insurance subsidiary in fiscal 2014. In fiscal 2015, the general insurance subsidiary did not have the benefit of carried forward business losses, resulting in higher tax expenses.

## Financial Condition

### Assets

The following table sets forth, at the dates indicated, the principal components of assets.

	At March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Cash and cash equivalents	Rs.482,582	Rs.476,372	US\$7,191	(1.3 )%
Investments <sup>(1)</sup>	2,427,901	2,743,108	41,405	13.0
Advances (net of provisions)	3,873,418	4,384,901	66,187	13.2
Fixed assets	55,068	58,712	886	6.6
Other assets <sup>(1)</sup>	638,655	597,699	9,022	(6.4 )
Total assets	Rs.7,477,624	Rs.8,260,792	US\$124,691	<b>10.5 %</b>

1. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 284.5 billion (At March 31, 2014: Rs. 248.2 billion) have been re-classified to line item 'Rural Infrastructure and Development Fund' under - Other Assets.



Our total assets increased by 10.5% from Rs. 7,477.6 billion at year-end fiscal 2014 to Rs. 8,260.8 billion at year-end fiscal 2015 primarily due to an increase in net advances and investments, offset, in part, by a decrease in other assets. Net advances increased by 13.2% from Rs. 3,873.4 billion at year-end fiscal 2014 to Rs. 4,384.9 billion at year-end fiscal 2015. Investments increased by 13.0% from Rs. 2,427.9 billion at year-end fiscal 2014 to Rs. 2,743.1 billion at year-end fiscal 2015.

#### Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances with the Reserve Bank of India and other banks, including money at call and short notice. Cash and cash equivalents decreased from Rs. 482.6 billion at year-end fiscal 2014 to Rs. 476.4 billion at year-end fiscal 2015 primarily due to a decrease in money at call and short notice, offset, in part, by an increase in the balances with the Reserve Bank of India and balances with banks outside India.

#### Investments

Total investments increased by 13.0% from Rs. 2,427.9 billion at year-end fiscal 2014 to Rs. 2,743.1 billion at year-end fiscal 2015. Investments of ICICI Bank increased from Rs. 1,522.0 billion at year-end fiscal 2014 to Rs. 1,581.3 billion at year-end fiscal 2015 primarily due to an increase in investments in government securities, and investment in commercial paper. This was offset, in part, by a decrease in investments in certificates of deposits and bonds and debentures. The investment of ICICI Bank in government securities increased from Rs. 958.9 billion at year-end fiscal 2014 to Rs. 1,073.9 billion at year-end fiscal 2015. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development

Fund and other related deposits have been re-grouped from investments to other assets. Accordingly, figures for comparative periods have also been re-grouped.

Investments of ICICI Prudential Life Insurance Company increased from Rs. 790.9 billion at year-end fiscal 2014 to Rs. 984.3 billion at year-end fiscal 2015. Investments held to cover linked liabilities increased from Rs. 603.1 billion at year-end fiscal 2014 to Rs. 747.8 billion at year-end fiscal 2015. The investments, other than held to cover linked liabilities, increased from Rs. 187.8 billion at year-end fiscal 2014 to Rs. 236.5 billion at year-end fiscal 2015 primarily on account of an increase in investment in government securities, equity shares and corporate bonds and debentures, offset, in part, by a decrease in investment in mutual funds and certificates of deposits.

Investments of ICICI Securities Primary Dealership Limited increased from Rs. 90.9 billion at year-end fiscal 2014 to Rs. 129.0 billion at year-end fiscal 2015 primarily on account of an increase in investment in government securities and corporate bonds.

Investments of ICICI Lombard General Insurance Company increased from Rs. 87.5 billion at year-end fiscal 2014 to Rs. 98.2 billion at year-end fiscal 2015 primarily on account of an increase in investment in equity shares, and government securities, offset, in part, by a decrease in investment in certificates of deposits.

Our total investment in government securities in India of Rs. 1,334.2 billion at year-end fiscal 2015, compared to Rs. 1,147.5 billion at year-end fiscal 2014.

ICICI Bank Canada's investment portfolio increased by 4.3% from Rs. 28.0 billion at year-end fiscal 2014 to Rs. 29.2 billion at year-end fiscal 2015. Investments of ICICI Bank UK increased by 4.0% from Rs. 29.9 billion at year-end fiscal 2014 to Rs. 31.1 billion at year-end fiscal 2015.

At year-end fiscal 2015, the Bank had an outstanding net investment of Rs. 8.4 billion in security receipts issued by asset reconstruction companies in relation to sales of non-performing assets, compared to Rs. 8.8 billion at year-end fiscal 2014. See also "*Business—Overview of Our Products and Services—Treasury*".

## Advances

Net advances increased by 13.2% from Rs. 3,873.4 billion at year-end fiscal 2014 to Rs. 4,384.9 billion at year-end fiscal 2015 primarily due to an increase in retail and corporate advances.

Net retail advances of ICICI Bank increased by 24.6% from Rs. 1,320.1 billion at year-end fiscal 2014 to Rs. 1,644.4 billion at year-end fiscal 2015 primarily due to an increase in home loans and automobile loans portfolio. Net advances of the overseas branches of ICICI Bank marginally increased in U.S. dollar terms from US\$ 15.0 billion at year-end fiscal 2014 to US\$ 15.1 billion at year-end fiscal 2015. However, due to exchange rate movements, the net advances of overseas branches, in rupee terms, increased by 4.9% from Rs. 897.0 billion at year-end fiscal 2014 to Rs. 941.2 billion at year-end fiscal 2015. The rupee depreciated from Rs. 59.92 per U.S. dollar at year-end fiscal 2014 to Rs. 62.50 per U.S. dollar at year-end fiscal 2015. Net advances of ICICI Home Finance Company increased by 16.1% from Rs. 65.6 billion at year-end fiscal 2014 to Rs. 76.2 billion at year-end fiscal 2015 primarily due to an increase in retail loans.

Loans of ICICI Bank UK increased from Rs. 166.2 billion at year-end fiscal 2014 to Rs. 189.7 billion at year-end fiscal 2015 primarily due to an increase in the corporate loan book and depreciation of rupee against dollar offset, in part, by a reduction in the foreign currency convertible bond portfolio due to maturities.

Loans of ICICI Bank Canada decreased from Rs. 260.3 billion at year-end fiscal 2014 to Rs. 254.2 billion at year-end fiscal 2015 primarily due to depreciation of Canadian dollar against the Rupee. However, in terms of Canadian dollar, the loan portfolio of ICICI Bank Canada increased from CAD 4.8 billion at year-end fiscal 2014 to CAD 5.2 billion at year-end fiscal 2015 due to an increase in the securitized insured mortgage portfolio, offset, in part, by a decrease in the corporate loan portfolio.

See also “*Business – Loan Portfolio*”.

#### Fixed and other assets

Fixed assets include premises, furniture and fixtures, assets given on lease and other fixed assets. Fixed assets increased by 6.6% from Rs. 55.1 billion at year-end fiscal 2014 to Rs. 58.7 billion at year-end fiscal 2015. Other assets decreased by 6.4% from Rs. 638.7 billion at year-end fiscal 2014 to Rs. 597.7 billion at year-end

fiscal 2015 primarily due to a decrease in mark-to-market amount and receivables on foreign exchange and derivative transactions and trade receivables pending settlement, offset, in part, by an increase in the Rural Infrastructure Development Fund and other related deposits made in lieu of shortfall in directed lending requirements. The Rural Infrastructure and Development Fund and other related deposits made in lieu of shortfall in directed lending requirements increased from Rs. 248.2 billion at year-end fiscal 2014 to Rs. 284.5 billion at year-end fiscal 2015.

## Liabilities and Stockholders' Equity

The following table sets forth, at the dates indicated, the principal components of liabilities and stockholders' equity.

	At March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Deposits	Rs. 3,595,127	Rs. 3,859,552	US\$ 58,257	7.4 %
Borrowings <sup>(1)</sup>	1,835,421	2,112,520	31,887	15.1
Other liabilities <sup>(2)</sup>	1,262,670	1,416,616	21,383	12.2
Minority interest	20,108	25,058	378	24.6
Total liabilities	6,713,326	7,413,746	111,905	<b>10.4</b>
Equity share capital	11,550	11,597	175	0.4
Reserves and surplus <sup>(3)</sup>	752,748	835,449	12,611	11.0
Total liabilities (including capital and reserves)	Rs. 7,477,624	Rs. 8,260,792	US\$ 124,691	10.5 %

(1) Includes subordinated debt and redeemable non-cumulative preference shares.

(2) Includes proposed dividend (including corporate dividend tax) of Rs. 32.7 billion in fiscal 2015 (fiscal 2014: Rs. 29.6 billion).

(3) Includes employees' stock options outstanding.

Our total liabilities (including capital and reserves) increased by 10.5% from Rs. 7,477.6 billion at year-end fiscal 2014 to Rs. 8,260.8 billion at year-end fiscal 2015, primarily due to an increase in deposits and borrowings.

## Deposits

Deposits increased by 7.4% from Rs. 3,595.1 billion at year-end fiscal 2014 to Rs. 3,859.6 billion at year-end fiscal 2015. Deposits of ICICI Bank increased from Rs. 3,319.1 billion at year-end fiscal 2014 to Rs. 3,615.6 billion at year-end fiscal 2015. Term deposits of ICICI Bank increased from Rs. 1,895.4 billion at year-end fiscal 2014 to Rs. 1,971.8 billion at year-end fiscal 2015. Savings account deposits increased by 15.9% from Rs. 991.3 billion at

year-end fiscal 2014 to Rs. 1,148.6 billion at year-end fiscal 2015 and current account deposits increased by 14.5% from Rs. 432.5 billion at year-end fiscal 2014 to Rs. 495.2 billion at year-end fiscal 2015. The current and savings account deposits of ICICI Bank increased from Rs. 1,423.8 billion at year-end fiscal 2014 to Rs. 1,643.8 billion at year-end fiscal 2015. Deposits of overseas branches, in dollar terms, decreased from US\$ 2.6 billion at March 31, 2014 to US\$ 1.8 billion at March 31, 2015 and, in rupee terms, decreased by 28.6% from Rs. 157.6 billion at year-end fiscal 2014 to Rs. 112.5 billion at year-end fiscal 2015 due to maturity of deposits. We did not replace these deposits, due to slower loan growth and surplus liquidity available at overseas branches.

The deposits of ICICI Bank Canada decreased from Rs. 132.1 billion at year-end fiscal 2014 to Rs. 109.3 billion at year-end fiscal 2015, primarily due to a decrease in term deposits from Rs. 96.2 billion at year-end fiscal 2014 to Rs. 78.9 billion at year-end fiscal 2015 and a decrease in savings account deposits from Rs. 31.8 billion at year-end fiscal 2014 to Rs. 25.9 billion at year-end fiscal 2015. ICICI Bank Canada funds its mortgage loan portfolio through securitization borrowings. Corporate loan portfolio of ICICI Bank Canada decreased due to maturity of loans, resulting in lower requirement of deposits in fiscal 2015. As a result, deposits of ICICI Bank Canada decreased at year-end fiscal 2015 as compared to year-end fiscal 2014.

Deposits of ICICI Bank UK decreased from Rs. 151.8 billion at year-end fiscal 2014 to Rs. 142.8 billion at year-end fiscal 2015, primarily due to a decrease in savings account deposits and term deposits.

Our total term deposits increased from Rs. 2,073.2 billion at year-end fiscal 2014 to Rs. 2,133.9 billion at year-end fiscal 2015, while savings deposits increased from Rs. 1,078.3 billion at year-end fiscal 2014 to Rs. 1,221.1 billion at year-end fiscal 2015. Total deposits at year-end fiscal 2015 formed 64.6% of our funding (i.e., deposits and borrowings, including subordinated debt and redeemable non-cumulative preference shares). See also “*Business—Funding*”.

## Borrowings

Borrowings (including redeemable non-cumulative preference shares and subordinated debt) increased by 15.1% from Rs. 1,835.4 billion at year-end fiscal 2014 to Rs. 2,112.5 billion at year-end fiscal 2015. Borrowings of ICICI Bank increased from Rs. 1,547.6 billion at year-end fiscal 2014 to Rs. 1,724.2 billion at year-end fiscal 2015, primarily due to an increase in bond borrowing including long-term bonds (for financing infrastructure projects and low-cost housing) and foreign currency bond borrowings, refinance borrowings, term borrowings and borrowings from the Reserve Bank of India under the liquidity adjustment facility, offset, in part, by a decrease in call money borrowed and commercial paper borrowings. The increase in overseas borrowings also reflects rupee depreciation in fiscal 2015.

Further, borrowings of ICICI Securities Primary Dealership increased from Rs. 86.7 billion at year-end fiscal 2014 to Rs. 131.3 billion at year-end fiscal 2015 primarily due to an increase in repo borrowings and borrowings from the Reserve Bank of India. Borrowings of ICICI Bank Canada increased from Rs. 113.3 billion at year-end fiscal 2014 to Rs. 133.8 billion at year-end fiscal 2015, primarily due to an increase in borrowings through securitization of mortgages. Borrowings of ICICI Bank UK decreased marginally from Rs. 72.2 billion at year-end fiscal 2014 to Rs. 71.5 billion at year-end fiscal 2015. See also “*Business—Funding*”.

## Other liabilities

Other liabilities primarily consist of liabilities on insurance policies in force, pertaining to our insurance subsidiaries, and proposed dividend including corporate dividend tax. Other liabilities increased by 12.2% from Rs. 1,262.7 billion at year-end fiscal 2014 to Rs. 1,416.6 billion at year-end fiscal 2015 primarily due to an increase in liabilities on policies in force of our life insurance business from Rs. 749.3 billion at year-end fiscal 2014 to Rs. 936.2 billion at year-end fiscal 2015. The increase in liabilities on insurance policies in force was primarily due to an increase in linked liabilities due to improved market conditions in fiscal 2015.

Other liabilities include proposed dividends (including corporate dividend tax) of Rs. 32.7 billion in fiscal 2015 compared to Rs. 29.6 billion in fiscal 2014. In India, dividends declared for a fiscal year are normally paid in the following year. We declared a dividend of Rs. 4.60 per equity share for fiscal 2014, which were paid in fiscal 2015. We declared a dividend of Rs. 5.00 per equity share for fiscal 2015, which has been paid in fiscal 2016.

## Equity share capital and reserves

Stockholders' equity increased from Rs. 764.3 billion at year-end fiscal 2014 to Rs. 847.0 billion at year-end fiscal 2015 primarily due to the annual accretion to reserves out of profit, offset, in part, by reduction of reserves due to dividend proposed by the Bank for fiscal 2015 and provisions made through reserves with the prior approval of the Reserve Bank of India on outstanding funded interest term loans pertaining to loans restructured prior to 2008. In 2008, the Reserve Bank of India issued guidelines on debt restructuring, which required banks to fully provide for interest income on restructured loans, which is funded by a funded interest term loan that is repaid based on a contracted maturity schedule. ICICI Bank has been providing fully for any interest income which is funded through a funded interest term loan for accounts restructured subsequent to the issuance of the guideline. However, in fiscal 2015, the Reserve Bank of India required similar treatment for funded interest term loans pertaining to loans restructured prior to the 2008 guidelines which are yet to be re-paid. Since this item related to prior years, ICICI Bank, with the approval of the Reserve Bank of India, fully provided for outstanding funded interest term loans by debiting it reserves by Rs. 9.3 billion in fiscal 2015. See also "*Consolidated Financial Statements—Schedules—Schedule 18—Notes forming part of the accounts—14. Provision on Funded Interest Term Loan*".

## Off Balance Sheet Items, Commitments and Contingencies

### Foreign Exchange and Derivatives Contracts

We enter into foreign exchange forwards, options, swaps and other derivatives products to enable customers to transfer, modify or reduce their foreign exchange and interest rate risks and to manage our own interest rate

and foreign exchange positions. These instruments are used to manage foreign exchange and interest rate risk relating to specific groups of on-balance sheet assets and liabilities.

The following table sets forth, at the dates indicated, the notional amount of foreign exchange and interest rate derivatives contracts.

	Notional principal amounts				Balance sheet fair value <sup>(1)</sup>			
	At March 31, 2014		2015		2016		2016	
	(in millions)							
Interest rate products:								
Swap agreements	Rs. 3,476,714	Rs. 4,361,764	Rs. 4,825,926	US\$ 72,844	Rs. 14,544	Rs. 15,838	Rs. 19,289	US\$ 291
Others	102,529	116,734	53,847	813	(38 )	280	(449 )	(7 )
Total interest rate products	Rs. 3,579,243	Rs. 4,478,498	Rs. 4,879,773	US\$ 73,657	Rs. 14,506	Rs. 16,118	Rs. 18,840	US\$ 284
Foreign exchange products:								
Forward contracts	Rs. 2,839,616	Rs. 3,035,674	Rs. 3,770,911	US\$ 56,919	Rs. 2,417	Rs. (7,599 )	Rs. 1,534	US\$ 23
Swap agreements	616,816	534,420	468,883	7,077	8,532	(340 )	2,902	44
Others	450,440	535,252	462,022	6,974	(9,223 )	(2,013 )	(2,608 )	(39 )
Total foreign exchange products	Rs. 3,906,872	Rs. 4,105,346	Rs. 4,701,816	US\$ 70,970	Rs. 1,726	Rs. (9,951 )	Rs. 1,828	US\$ 28

(1) Denotes the net mark-to-market impact of the derivatives and foreign exchange products on the reporting date.

The notional principal amount of interest rate products increased from Rs. 4,478.5 billion at year-end fiscal 2015 to Rs. 4,879.8 billion at year-end fiscal 2016. The notional principal amount of foreign exchange products increased from Rs. 4,105.3 billion at year-end fiscal 2015 to Rs. 4,701.8 billion at year-end fiscal 2016. The credit exposure on interest rate derivatives increased from Rs. 76.9 billion at year-end fiscal 2015 to Rs. 79.4 billion at year-end fiscal 2016. The credit exposure on foreign exchange derivatives increased from Rs. 202.3 billion at year-end fiscal 2015 to Rs. 206.5 billion at year-end fiscal 2016.

An interest rate swap does not entail the exchange of notional principal, and the cash flow arises because of the difference between the interest rate pay and receive portions of the swap, which is generally much lower than the



notional principal of the swap. A large proportion of interest rate swaps, currency swaps and forward exchange contracts are on account of market making, which involves providing regular two-way prices to customers or inter-bank counter-parties. This results in the generation of a higher number of outstanding transactions, and hence a large value of gross notional principal of the portfolio. For example, if a transaction entered into with a customer is covered by an exactly opposite transaction entered into with another counterparty, the net market risk of the two transactions will be zero whereas the notional principal amount of the portfolio will be the sum of both transactions. We had no funded credit derivatives instruments and non-funded credit derivatives instruments at year-end fiscal 2016 and year-end fiscal 2015.

## Securitization

The Bank primarily securitizes retail and corporate loans through securitization transactions involving special purpose entities, usually constituted as trusts. Post securitization of the loans, we continue to act as the servicing agent and maintain customer account relationships and service these set of loans transferred to the securitization trusts. The securitization transactions can be either with or without credit enhancement. In accordance with the Reserve Bank of India guidelines for securitization of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitization immediately at the time of sale, and the profit/premium arising from securitization is amortized over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. In accordance with the Reserve Bank of India guidelines for securitization of standard assets, with effect from May 7, 2012, the Bank accounts for any loss arising from securitization immediately at the time of sale and the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India guidelines.

The Bank acts in different capacities and under different contracts for a consideration including as originator, liquidity facility provider, servicing agent credit enhancement provider, underwriter, senior contributor etc.

In a securitization transaction, the excess interest spreads from the underlying assets in securitization transactions are generally subordinated to provide credit enhancement. In addition to the subordination of excess interest spreads, the Bank in a separate capacity provides external credit enhancement facilities to mitigate cash flow shortfalls that may arise from the underlying asset delinquencies. These facilities include first loss credit enhancement representing the first or primary level of protection provided to bring the ratings accorded to the beneficial interests of senior contributors to investment grade. The Bank also provides second loss credit enhancement representing a subsequent level of protection provided to protect the beneficiaries against further cash flow shortfalls. The Bank has provided credit enhancement (first loss and second loss enhancement) on the securitized pools originated by the Bank and guarantees (second loss enhancement) provided to the pools originated by a third party. The Bank, in a separate capacity, provides liquidity facilities to help smoothen the timing differences faced by the special purpose vehicles between the receipt of cash flows from the underlying assets and the payments to be made to the investors. The liquidity facility enjoys a priority of claim over the future cash flows from the underlying assets, which is even senior to the claims of the senior contributors.

With respect to the securitized pools originated by the Bank, the first loss and second loss credit enhancements are provided either in the form of undertakings or cash collateral in a current account operated by the trust.

The total outstanding first loss credit enhancements at year-end fiscal 2016 were Rs. 2.23 billion and second loss credit enhancements were Rs. 1.76 billion for securitized pools originated by the Bank. With respect to the second loss guarantees provided to the third party originated pools, the outstanding at fiscal 2016 was Rs. 4.09 billion.

Our Canadian subsidiary has entered into securitization arrangements in respect of its originated and purchased (originated by third parties) residential mortgages, to issue National Housing Act Mortgage-backed Securities and also participates in Canada Mortgage Bonds program as a seller. The National Housing Act Mortgage-backed Securities are backed by pools of amortizing residential mortgages insured by the Canada Mortgage and Housing Corporation or approved third party insurers. At the time of origination, all of the originated residential mortgages are insured by one of the three largest mortgage default insurers in Canada covering our subsidiary against any loss on account of mortgage default. The Canada Mortgage Bonds is a guaranteed, semi-annual coupon, bullet-maturity bond, which are issued by a special purpose trust, known as Canada Housing Trust. As required under the Canada Mortgage Bonds program, our Canadian subsidiary, as an issuer, has undertaken to remit monthly to the Central Payor and Transfer Agent the payments of principal and interest accrued and due on the mortgage loans in the pools. ICICI Bank Canada assumes prepayment risk on the Canada Mortgage Bonds program which is hedged through a swap arrangement. At March 31, 2016, the outstanding balance of such securitized insured mortgages were CAD 2,967.6 million.

#### Loan Commitments

We have outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated to Rs. 1,498.9 billion (including fund-based commitments fungible with non-fund-based facilities) at year-end fiscal 2016, compared to Rs. 1,240.8 billion at year-end fiscal 2015. The interest rate on a significant portion of these commitments is dependent on the lending rates prevailing on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

#### Capital Commitments

We are obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. The estimated amounts of contracts remaining to be executed on capital projects increased from Rs. 5.8 billion at year-end fiscal 2015 to Rs. 6.1 billion at year-end fiscal 2016.

#### Other Contractual Obligations

The following table sets forth certain contractual obligations at year-end fiscal 2016.

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in millions, except percentages)				
Long-term debt obligations	Rs. 1,599,458	Rs. 300,155	Rs. 418,326	Rs. 479,599	Rs. 401,378
Time deposits	2,462,834	1,972,452	387,611	81,134	21,637
Life-insurance obligations <sup>(1)</sup>	1,384,946	(43,405 )	(142,106)	51,286	1,519,171
Gratuity obligations <sup>(2)</sup>	14,868	1,575	3,006	3,092	7,195 <sup>(3)</sup>
Pension obligations <sup>(2)</sup>	10,418	804	2,108	2,331	5,175 <sup>(3)</sup>
Operating lease obligations	2,235	471	357	838	569
<b>Guarantees<sup>(4),(5)</sup></b>					
Financial guarantees	460,968	288,690	100,371	52,744	19,163
Performance guarantees	630,784	354,470	194,122	66,511	15,681
Total	Rs. 6,566,511	Rs. 2,875,212	Rs. 963,795	Rs. 737,535	Rs. 1,977,599

The amounts shown represent an estimate of undiscounted cash flows under life insurance contracts. The cash flows shown consist of expected benefit payments net of premiums receivable as per the contractual terms. Cash flows associated with benefit payments are projected based on assumptions for factors like mortality and investment returns. The cash flows included in the above table are different from the liabilities on policies in effect at year-end fiscal 2016 that are disclosed in the balance sheet because the liabilities are disclosed at discounted values and include an allowance for other non-contractual cash flows, such as expenses.

(2) Based on actuarial assumptions.

(3) Based on outflow estimates between five and 10 years.

(4) The amount represents maximum amount of obligation,

(5) Based on contractual maturity.

#### Long-term debt obligations

Long-term debt represents debt with an original contractual maturity greater than one year. Maturity distribution is based on contractual maturity or the date, at which the debt is callable at the option of the holder, whichever is earlier. For a detailed discussion on long-term debt, see note 3 to our “Consolidated Financial Statements—Additional Notes” included herein.

#### Time deposits

Time deposits represent deposits with fixed maturity terms. Generally, time deposits can be withdrawn by the depositors any time before maturity, subject to certain prepayment charges.

#### Life insurance obligations

Life insurance obligations primarily include liabilities for life insurance policies, including both unit-linked and non-linked policies.

A unit-linked life insurance policy is a policy in which the cash value of the policy varies according to the net asset value of units (i.e., shares) in investment assets chosen by the policyholder. The unit-liability is equal to the net asset value of the units in each policy as of the valuation date. The non-unit liability for linked insurance policies and liability for non-linked life insurance policies is calculated using the gross premium method using assumptions for interest, mortality, expense and inflation. For participating policies, the assumptions are also made for future bonuses, together with allowances for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

#### Gratuity obligations

We provide gratuity, a defined benefit retirement plan covering all employees who retire or resign after a minimum prescribed period of continuous service. The plan provides a lump sum payment to eligible employees

at retirement or termination of employment based on the respective employee's salary and years of employment with us.

The gratuity benefit is provided to employees through either an in-house fund or separate funds managed by Life Insurance Corporation of India Limited and ICICI Prudential Life Insurance Company Limited. We are responsible for settling the gratuity obligation through contribution to these funds.

#### Pension obligations

The Bank provides pensions—deferred retirement plans—covering certain employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. The plans provide for monthly pension payments to these employees when they retire. These payments are based on the respective employee's years of service with the Bank and applicable salary and also include a cost of living adjustment. Pension funds for employees in service who previously worked at the former Bank of Madura, Sangli Bank or Bank of Rajasthan are managed in an in-house trust and the liability is funded as per actuarial valuation.

Pursuant to a master policy, the Bank purchases annuities from Life Insurance Corporation and ICICI Prudential Life Insurance Company Limited for the benefit of employees upon their retirement. These annuities provide the pension payments to retired employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan.

#### Operating lease obligations

We have commitments under long-term operating leases principally for premises. The following table sets forth a summary of future minimum lease rental commitments at year-end fiscal 2016.

Lease rental commitments for fiscal	(in millions)
2017	Rs. 471
2018	199
2019	158
2020	134
2021	704
Thereafter	569
Total minimum lease commitments	Rs. 2,235

## Guarantees

As a part of our project financing and commercial banking activities, we have issued bank guarantees to support business requirements of our clients. Guarantees represent irrevocable assurances that the Bank will pay in the event a customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary, when a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary, where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years. The credit risks, as well as the operating risks, associated with bank guarantees are similar to those relating to other types of unfunded facilities. We enter into guarantee arrangements after conducting appropriate due diligence on our clients. We generally review these facilities on an annual basis. If a client's risk profile deteriorates to an unacceptable level, we may choose not to renew the guarantee upon expiry or may require additional security sufficient to protect our exposure. Guarantees increased by 1.8% from Rs. 1,072.3 billion at year-end fiscal 2015 to Rs. 1,091.8 billion at year-end fiscal 2016.

The following table sets forth, at the dates indicated, guarantees outstanding.

	At year-end fiscal				2016/2015 % change
	2014	2015	2016	2016	
	(in millions, except percentages)				
Financial guarantees	Rs. 532,814	(1) Rs. 461,262	Rs. 460,968	US\$ 6,958	-
Performance guarantees	554,784	(1) 611,080	630,784	9,521	3.2
Total guarantees	Rs. 1,087,598	Rs. 1,072,342	Rs. 1,091,752	US\$ 16,479	1.8 %

(1) In fiscal 2014, based on the guidelines issued by the Reserve Bank of India, advance payment guarantees were re-classified from performance guarantees to financial guarantees.

Financial guarantees constituted approximately 42% of our guarantee exposure at year-end fiscal 2016. Of these financial guarantees, approximately 27% were issued towards risk participation, syndication and favoring other lenders as beneficiaries to allow our clients to avail credit assistance or credit enhancement from other lenders. The remaining financial guarantees were issued to support other business requirements of our clients, such as guarantees for the procurement of goods or guarantees in lieu of security/cash deposits etc. Performance guarantees constituted 58% of our guarantee exposure at year-end fiscal 2016.

Illustrative examples of client business activities requiring guarantees include: contracts to procure goods from suppliers where guarantees are obtained by clients to provide suppliers with assurance of payment in case the clients fail to pay upon receipt of goods; submission of bids for projects where guarantees are obtained by clients to provide assurance of performance of contract obligations in case the bid is awarded to them; advances against goods or services to be supplied by clients to their own customers where guarantees are obtained by clients to assure their customers of a refund of the advance in case the clients are unable to supply goods or services; guarantees provided in lieu of security deposits or cash deposits that clients would otherwise be required to maintain with stock exchanges; commodity exchanges, regulatory authorities or other bodies, or for participating in tenders or in other business contracts; and guarantees obtained by clients in favor of lenders that enable the clients to receive credit assistance or credit enhancement from lenders by providing such lenders with assurance of payment.

Upon default by a client under the terms of the guarantee, the beneficiary may exercise its rights under the guarantees, and we are obligated to honor payments to the beneficiaries. Banks and financial institutions are beneficiaries for some of our financial guarantees, so as to enable clients to receive financial assistance from these banks and financial institutions. If our clients default on such loans, the banks and financial institutions may exercise their rights under the guarantee and we are obligated to honor payments to them. Amounts that we pay to the other banks and financial institutions and do not recover from clients are subject to the Reserve Bank of India's prudential norms on income recognition, asset classification and provisioning pertaining to advances.

We also issue guarantees for clients to whom we have provided other funded facilities in the form of loans. Our outstanding amounts of such guarantees related to non-performing and restructured loans were Rs. 25.7 billion and Rs. 37.0 billion, respectively, at year-end fiscal 2016. The guarantees we issue are not unilaterally changed or revised when a related loan is restructured. Guarantees are valid for a specified amount and a specified period. Any change in expiry date or amount requires the consent of both the beneficiary and the guarantor.

In some cases, we have collateral available to reimburse potential losses on our guarantees. Margins in the form of cash and fixed deposit available to us to reimburse losses realized under guarantees amounted to Rs. 78.7 billion at year-end fiscal 2016, compared to Rs. 68.5 billion at year-end fiscal 2015. Other property or security may also be available to us to cover losses under these guarantees.

Our related party guarantees amounted to Rs. 0.5 million at year-end fiscal 2016.



Edgar Filing: ICICI BANK LTD - Form 20-F

The following table sets forth the roll-forward of activity for guarantees at year-end fiscal 2016.

Particulars	Performance	Financial
	Guarantees	Guarantees
	(in millions)	
Opening balance at April 1, 2015	Rs. 611,080	Rs. 461,262
Additions: Issued during the year	261,162	265,519
Deletions: Closed due to expiry/termination during the year	(235,834)	(255,847)
Invoked and paid during the year	(5,624 )	(9,966 )
Closing balance at year-end fiscal 2016	Rs. 630,784	Rs. 460,968

Capital Resources

We actively manage our capital to meet regulatory norms and current and future business needs, considering the risks in its businesses, expectations of rating agencies, shareholders and investors, and the available options of raising capital. Its capital management framework is administered by the Finance Group

and the Risk Management Group under the supervision of the Board and the Risk Committee. The capital adequacy position and assessment is reported to the Board and the Risk Committee periodically.

### Regulatory capital

Reserve Bank of India issued final Basel III guidelines, applicable with effect from April 1, 2013 which is implemented in a phased manner through till March 31, 2019 as per the transitional arrangement provided by the Reserve Bank of India for Basel III implementation. The Basel III rules on capital consist of measures on improving the quality, consistency and transparency of capital, enhancing risk coverage, introducing a supplementary leverage ratio, reducing pro-cyclicality and promoting counter-cyclical buffers and addressing systemic risk and inter-connectedness.

At year-end fiscal 2016, ICICI Bank was required to maintain a minimum common equity Tier 1 risk-based capital ratio of 6.13%, a minimum Tier 1 risk-based capital ratio of 7.63% and a minimum total risk-based capital ratio of 9.63%. Under Pillar 1 of the Reserve Bank of India's Basel III guidelines, we follow the standardized approach for measurement of credit risk, standardized duration method for measurement of market risk and the basic indicator approach for measurement of operational risk. We are in the process of implementing various projects for migrating to the advanced approaches for calculating risk-based capital requirements.

In March 2016, the Reserve Bank of India issued guidelines expanding the eligibility for common equity Tier 1 capital to include 45.0% of revaluation reserves, which earlier qualified for inclusion in Tier 2 capital, and 75.0% of foreign currency translation reserves. The guidelines further allowed recognition of deferred tax assets arising due to timing differences, excluding accumulated losses, as Tier 1 capital up to 10.0% of a bank's common equity Tier 1 capital in line with the norms of the Basel Committee on Banking Supervision. The amount of deferred tax assets which is not deducted from common equity Tier 1 capital is to be risk weighted at 250%.

Further, as per the framework issued for Domestic Systemically Important Banks in July 2014, The Reserve Bank of India, on August 31, 2015, declared ICICI Bank as one of the Domestic Systemically Important Banks. Based on the methodology provided in the Domestic Systemically Important Banks framework, ICICI Bank has been placed in bucket 1 (lowest bucket) with additional common equity Tier 1 requirement as a percentage of risk-weighted assets of 0.2%. This additional requirement is applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019. The additional common equity Tier 1 requirement will be in addition to the capital conservation buffer. The additional common equity Tier 1 requirement for fiscal 2017 is 0.05% of risk-weighted assets.

### Unconsolidated capital adequacy position

Edgar Filing: ICICI BANK LTD - Form 20-F

The following table sets forth, at the dates indicated, regulatory capital, risk-weighted assets and risk-based capital ratios computed in accordance with the Reserve Bank of India's Basel III guidelines and based on ICICI Bank's unconsolidated financial statements prepared in accordance with Indian GAAPs.

	As per the Reserve Bank of India's Basel III guidelines			
	At year-end fiscal			
	2015	2016	2016	
	(in millions, except percentages)			
Common equity Tier 1 capital	Rs. 696,610	Rs. 789,594	US\$ 11,919	
Tier 1 capital	696,610	794,824	11,998	
Tier 2 capital	230,828	215,127	3,247	
Total capital	Rs. 927,437	Rs. 1,009,951	US\$ 15,244	
Credit risk: risk-weighted assets	Rs. 4,741,559	Rs. 5,263,179	US\$ 79,444	
Market risk: risk-weighted assets	334,227	310,412	4,685	
Operational risk: risk-weighted assets	373,172	497,535	7,510	
Total risk-weighted assets	Rs. 5,448,958	Rs. 6,071,126	US\$ 91,639	
Common equity Tier 1 risk-based capital ratio	12.8	%	13.0	%
Tier 1 risk-based capital ratio	12.8	%	13.1	%
Tier 2 risk-based capital ratio	4.2	%	3.5	%
Total risk-based capital ratio	17.0	%	16.6	%

In fiscal 2016, capital funds (net of deductions) increased by Rs. 82.5 billion from Rs. 927.4 billion at year-end fiscal 2015 to Rs. 1,010.0 billion at year-end fiscal 2016 primarily due to inclusion of retained earnings for fiscal 2016, recognition of foreign currency translation reserve at a discount of 25% and revaluation reserve at a discount of 55% in common equity Tier 1 capital, risk weighting of deferred tax assets at 250% instead of full deduction from Tier 1 capital and lower deduction for investment in subsidiaries mainly due to repatriation of capital from overseas banking subsidiary and sale of shareholding in insurance subsidiaries, offset, in part, by, decrease in eligible amount of non-common equity capital due to application of Basel III grandfathering rules.

Risk-weighted assets relating to credit risk increased by Rs. 521.6 billion from Rs. 4,741.6 billion at year-end fiscal 2015 to Rs. 5,263.2 billion at year-end fiscal 2016 primarily due to an increase of Rs. 535.0 billion in risk-weighted assets for on-balance sheet assets, offset, in part, by a decrease of Rs. 13.4 in risk-weighted assets for off-balance sheet assets.

Risk-weighted assets relating to market risk decreased by Rs. 23.8 billion from Rs. 334.2 billion at year-end fiscal 2015 to Rs. 310.4 billion at year-end fiscal 2016 primarily due to a decrease in positions of interest rate related instruments.

Risk-weighted assets relating to operational risk at year-end fiscal 2016 were Rs. 497.5 billion. The operational risk capital charge is computed based on 15% of the average of the previous three financial years' gross income and is revised on an annual basis at June 30. Risk-weighted assets are arrived at by multiplying the capital charge by 12.5.

#### Consolidated capital adequacy position

Consolidation for regulatory capital calculations is based on the consolidated financial statements of ICICI Bank and its subsidiaries, in line with the standards on consolidated prudential reporting issued by the Reserve Bank of India. The entities considered for consolidation for regulatory capital calculations include subsidiaries, associates and joint ventures of the Bank, which carry on activities of a banking or of a financial nature as stated in the reporting guidelines prescribed by the Reserve Bank of India. Entities engaged in the insurance business and businesses not pertaining to financial services are excluded from consolidation for capital adequacy calculation. As per Basel III guidelines stipulated by the Reserve Bank of India, equity and other regulatory capital investments in the unconsolidated insurance and non-financial subsidiaries will be deducted from consolidated regulatory capital of the group.

At year-end fiscal 2016, our total risk-based capital ratio at the consolidated level as per Basel III guidelines stipulated by the Reserve Bank of India were common equity Tier 1 risk-based capital ratio of 12.9%, Tier 1 risk-based capital ratio of 13.1% and total risk-based capital ratio of 16.6% against the current requirement of minimum common equity Tier 1 capital ratio of 6.13%, a minimum Tier 1 capital ratio of 7.63% and a minimum total capital ratio of 9.63% respectively.

*Internal assessment of capital*

Our capital management framework includes a comprehensive internal capital adequacy assessment process conducted annually which determines the adequate level of capitalization for us to meet regulatory standards and current and future business needs, including under stress scenarios. The internal capital adequacy assessment process is formulated at both the stand alone bank level and the consolidated group level. The process encompasses capital planning for a four-year time horizon, identification and measurement of material risks and the relationship between risk and capital.

The capital management framework is complemented by the risk management framework, which includes a comprehensive assessment of material risks. Stress testing, which is a key aspect of the capital assessment process and the risk management framework, provides an insight on the impact of extreme but plausible scenarios on the risk profile and capital position. Based on our Board-approved stress testing framework, we conduct stress tests on our various portfolios and assess the impact on our capital ratios and the adequacy of our capital buffers for current and future periods. We periodically assess and refine our stress tests in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market moves that could arise as a result of market conditions. The business and capital plans and the stress testing results of the ICICI Bank entities are integrated into the internal capital adequacy assessment process.

Based on the internal capital adequacy assessment process, we determine the level of capital that needs to be maintained by considering the following in an integrated manner:

strategic focus, business plan and growth objectives;

regulatory capital requirements as per the Reserve Bank of India guidelines;

assessment of material risks and impact of stress testing;

perception of shareholders and investors;

future strategy with regard to investments or divestments in subsidiaries; and

evaluation of options to raise capital from domestic and overseas markets, as permitted by the Reserve Bank of India from time to time.

We continue to monitor further developments and believe that its current robust capital adequacy position and demonstrated track record of access to domestic and overseas markets for capital raising will enable us to maintain the necessary levels of capital as required by regulations while continuing to grow our business.

### Liquidity Risk

Liquidity risk is the current and prospective risk arising out of an inability to meet financial commitments as they fall due, through available cash flows or through the sale of assets at fair market value. It includes both the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The goal of liquidity risk management is to be able, even under adverse conditions, to meet all liability repayments on time and to fund all investment opportunities by raising sufficient funds either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

Most of our incremental funding requirements are met through short-term funding sources, primarily in the form of deposits including inter-bank deposits. However, a large portion of our assets, primarily the corporate and project finance and home loan portfolio, have medium or long-term maturities, creating a potential for funding mismatches. We actively monitor our liquidity position and attempts to maintain adequate liquidity at all times to meet all the requirements of our depositors and bondholders, while also meeting the credit demand of our customers.

We seek to establish a continuous information flow and an active dialogue between the funding and borrowing divisions of the organization to enable optimal liquidity management. A separate group is responsible for liquidity management. We are required to submit a rupee gap reports for domestic operations on a fortnightly basis to the Reserve Bank of India. Pursuant to the Reserve Bank of India guidelines, the liquidity gap (if negative) must not exceed 5.0%, 10.0%, 15.0% and 20.0% of cumulative outflows in the 1-day, up to 7-day, up to 14-day and up to 30-day time categories, respectively. We prepare a daily maturity gap analysis for the overseas operations and rupee book for the domestic operations. Our static gap analysis is also supplemented by a short-term dynamic cash-flow analysis, in order to provide the liability raising units with a fair estimate of our funding requirements in the near-term. In addition, we monitor certain liquidity ratios on a bi-monthly basis. We also monitor liquidity coverage ratio which has been applicable from January 1, 2015. We have a liquidity contingency plan in place, through which it monitors key indicators that could signal potential liquidity challenges, to enable it to take necessary measures to ensure sufficient liquidity.

We maintain diverse sources of liquidity to facilitate flexibility in meeting funding requirements. Incremental operations in India are principally funded by accepting deposits from retail and corporate depositors. The deposits are augmented by borrowings in the short-term inter-bank market and through the issuance of bonds. We also have recourse to the liquidity adjustment facility and marginal standing facility which are short-term funding arrangements provided by the Reserve Bank of India. We generally maintain a substantial portfolio of high quality liquid securities that may be sold on an immediate basis to meet our liquidity needs. We also have the option of managing liquidity by borrowing in the inter-bank market on a short-term basis. The overnight market, which is a significant part of the inter-bank market, is susceptible to volatile interest rates. These interest rates on certain occasions have touched highs of 100.0% and above. To curtail reliance on such volatile funding, our liquidity management policy has stipulated daily limits for borrowing and lending in this market. our limit on daily borrowing is more conservative than the limit set by the Reserve Bank of India. ICICI Securities Primary Dealership, like us, relies for a certain proportion of its funding on the inter-bank market for overnight money and is therefore also exposed to similar risk of volatile interest rates.

Our gross liquid assets consist of cash, nostro balances, overnight and other short-term money market placements, government bonds and treasury bills (including investments eligible for reserve requirements and net of borrowings on account of repurchase agreements, the liquidity adjustment facility and the marginal standing facility), corporate bonds (rated AA and above), other money market investments such as commercial paper and certificates of deposits and mutual fund investments. We deduct short-term money-market borrowings (borrowings with maturity up to 28 days) from the aggregate of these assets to determine net liquid assets.

We maintain a significant portion of our demand and time liabilities in forms required pursuant to regulatory reserve requirements imposed by the Reserve Bank of India. The Reserve Bank of India stipulates a cash reserve ratio applicable to Indian banks, which requires us to maintain an average percentage of our demand and time liabilities as a cash balance deposited with the Reserve Bank of India over 14-day periods. At year-end fiscal 2016, the cash reserve ratio requirement percentage was 4.00%. In addition, cash reserves may not fall below 90% (with effect from April 16, 2016) of the required cash reserve ratio on any day during any 14-day reporting period.

The Reserve Bank of India also stipulates a statutory liquidity ratio applicable to Indian banks, which requires us to maintain a certain percentage of demand and time liabilities in certain prescribed investments. At year-end fiscal 2016, the statutory liquidity ratio requirement percentage was 21.5%. The statutory liquidity ratio is scheduled to come down progressively by 25 basis points every quarter in fiscal 31, 2017 to 20.5%. We generally hold more statutory liquidity ratio eligible securities than the statutory liquidity ratio requirement. Statutory liquidity ratio eligible instruments include cash, gold or approved unencumbered securities.

At various of our overseas branches, certain reserves are maintained pursuant to local regulations. We have complied with these local reserve requirements in fiscal 2016.

The Reserve Bank of India on June 9, 2014 issued final guidelines on the Basel III framework on liquidity standards including liquidity coverage ratio, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards. The liquidity coverage ratio promotes short-term resilience of banks to potential liquidity disruptions by ensuring that banks have sufficient high quality liquid assets to survive an acute stress scenario lasting for 30 days. As per the guidelines, the liquidity coverage ratio requirement was effective January 1, 2015 with a minimum requirement of 60.0% starting from January 1, 2015 (currently the minimum requirement is 70.0%), and will rise in equal steps to reach 100.0% on January 1, 2019. We have been computing our liquidity coverage ratio on monthly basis since January 2015 as per the Reserve Bank of India guidelines. The liquidity coverage ratio of the Group, based on month end values, for the three months ended March 31, 2016 was 89.5%.

We maintain liquid assets in addition to statutory liquidity ratio and cash reserve ratio requirement. Throughout fiscal 2016, we maintained adequate reserves as per the regulatory requirements mentioned above.

The following table sets forth the components of our average and balance sheet date liquid assets.



	At March 31, 2015	Fortnightly average for fiscal 2016	At March 31, 2016
	(in billions)		
Statutory liquidity ratio eligible investments and other government securities, net of borrowings on account of repurchase agreement, liquidity adjustment facility and collateralized borrowings	Rs. 952.0	Rs. 1,032.8	Rs. 1,091.17
Balance with central banks and current accounts with other banks	310.0	222.8	299.83
Other liquid assets	249.5	223.9	471.59
Gross liquid assets	1,511.5	1,479.5	1,862.59
(Less) Short-term borrowings	–	1.5	–
Net liquid assets	Rs. 1,511.5	Rs. 1,478.0	Rs. 1,862.6

We held net liquid assets totaling Rs. 1,862.6 billion at year-end fiscal 2016, compared to Rs. 1,511.5 billion at year-end fiscal 2015. In fiscal 2016, We held fortnightly average net liquid assets of Rs. 1,478.0 billion. In addition to the amounts included in net liquid assets above, at year-end fiscal 2016, we also held other fixed income non-government securities totaling Rs. 42.7 billion, compared to Rs. 72.9 billion at year-end fiscal 2015.

In compliance with local regulations, some of our overseas branches are required to maintain a 'net due to' position with other group entities i.e. they can only be a net borrower up to a specified amount. Accordingly, only the liquidity maintained in excess of such 'net due to' requirements can be utilized at other group entities. At year-end fiscal 2016, such overseas branches of the Bank held net liquid assets of Rs. 73.0 billion, which are included in our overall net liquid assets of the Bank of Rs. 1,862.6 billion.

We also have access to other reliable sources of liquidity. The Reserve Bank of India conducts repurchase and reverse repurchase transactions with banks through its liquidity adjustment facility and marginal standing facility to carry out monetary policy and manage liquidity for the Indian banking system. The Reserve Bank of India stipulates an interest rate applicable to such repurchase, reverse repurchase agreements and marginal standing facility, known as the repo rate, reverse repo rate and marginal standing facility rate respectively. At year-end fiscal 2016, the Reserve Bank of India repo rate, reverse repo rate and marginal standing facility rate were 6.75%, 5.75% and 7.75% respectively. The liquidity adjustment facility and marginal standing facility are available throughout the year. Under the marginal standing facility, in addition to the eligible securities a bank holds in excess of the statutory requirement, banks can borrow overnight up to 2.0% of their respective net demand and time liabilities outstanding at the end of the second preceding 14-day period. Further, there is a liquid market for repurchase transactions with other market counterparties. Banks may enter into repurchase transactions with the Reserve Bank of India or other market counterparties against the statutory liquidity ratio eligible securities that hold in excess of the statutory requirement.

At year-end fiscal 2016, we had government securities amounting to Rs. 195.8 billion eligible for borrowings through the liquidity adjustment facility and marginal standing facility from the Reserve Bank of India.

The Reserve Bank of India uses the liquidity adjustment facility and the marginal standing facility to implement monetary policy. The Reserve Bank of India has the right to suspend the liquidity adjustment facility or reduce the amounts that Indian banks can access through the liquidity adjustment facility on any day on a proportionate basis for all banks. Such policy changes could affect the operations of these facilities and could restrict Indian banks, including us, from accessing these facilities. The Reserve Bank of India has restricted liquidity provision through the overnight liquidity adjustment facility to a specified ratio of net demand and time liabilities and increasingly provides liquidity through term repurchase agreements of various maturities. At year-end fiscal 2016, the liquidity provision through the overnight liquidity adjustment facility was capped at 0.25% of net demand and time liabilities of banks.

We have a well-defined borrowing program for the overseas operations. In order to maximize borrowings at a reasonable cost through our branches, liquidity in different markets and currencies is targeted. The wholesale borrowings are in the form of bond issuances, syndicated loans from banks, money market borrowings and inter-bank bilateral loans. We also raise refinance from other banks against buyer's credit and other trade assets. Those loans that meet the Export Credit Agencies' criteria are refinanced as per the agreements entered into with these agencies. We also mobilize retail deposit liabilities, in accordance with the regulatory framework in place in the respective host country.

We have the ability to use our rupee liquidity in India to meet refinancing needs at our overseas branches, although this may be at a relatively high cost based on swap and exchange rates prevailing at the time of such refinancing. We raised the equivalent of US\$ 1,393 million through issuances of Chinese Yuan (CNH) denominated bond in July 2015 (original maturity of three years), US\$ denominated bond in August 2015 (original maturity of five years), in December 2015 (original maturity three years and 10 years) and in March 2016 (original maturity 10 years); Australian dollar (AUD) denominated bond in November 2015 (original maturity of three years) and Singapore dollar (SGD) denominated bond in November 2015 (original maturity of three years). The terms of our bond issuances and loans from other financial institutions and export credit agencies contain cross-default clauses, restrictions on our ability to merge or amalgamate with another entity and restrictions on our ability to prematurely redeem or repay such bonds or loans. The terms of our subordinated debt issuances eligible for inclusion in Tier 1 or Tier 2 capital include the suspension of interest payments in the event of losses or capital deficiencies, and a prohibition on redemption, even at maturity or on specified call option dates, without the prior approval of the Reserve Bank of India. We are currently not, and does not expect to be, in breach of any material covenants of our borrowings that would be construed as events of default under the terms of such borrowings.

The successful management of credit, market and operational risk is an important consideration in managing the liquidity because it affects the evaluation of our credit ratings by rating agencies. Rating agencies may reduce or indicate their intention to reduce the ratings at any time.

Rating agencies can also decide to withdraw their ratings of the Bank, which may have the same effect as a reduction in our ratings. Any reduction in our ratings (or withdrawal of ratings) may increase our borrowing costs, limit our access to capital markets and adversely affect our ability to sell or market our products, engage in business transactions (particularly longer-term transactions) and derivatives transactions, or retain our customers. See also “*Risk Factors—Any downgrade of India’s debt rating by an international rating agency could adversely affect our business, our liquidity and the price of our equity shares and ADSs*”.

In respect of our domestic operations, we may enter into collateralized borrowings in the form of repurchase transactions with the Reserve Bank of India or through Clearing Corporation of India Limited, a centralized clearing counterparty or with the market counterparties, against the statutory liquidity ratio eligible securities to meet expected and unexpected borrowings requirements. In general, the face value of collateral given for any such loan is higher than the value of the loan. This difference is referred to as a haircut. The haircut for all such securities borrowed from the Reserve Bank of India is stipulated by them. In case of borrowings through products settled through Clearing Corporation of India Limited, the value of the collateral under repo/collateralized lending and borrowing obligations is computed after applying a haircut as stipulated by the Clearing Corporation of India Limited. Further, members of Clearing Corporation of India Limited’s collateralized lending and borrowing obligations segment are also required to maintain margin contributions in relation to their borrowing/lending obligation at any point of time which act as cushion against any fall in the value of the underlying collateral. We hold sufficient securities in our account to meet additional collateral requirements if required and systems and processes are in place to ensure sufficient balance in our Principal-Securities General Ledger account, Repo Constituent - Securities General Ledger account, Clearing Corporation of India Limited Securities Guarantee Fund/collateralized lending and borrowing obligations margin account resulting in smooth settlement of transactions.

Further, in case of any emergency requirement, additional securities may be transferred to our Securities Guarantee Fund/collateralized lending and borrowing obligations margin account on a T+0 basis. In case of corporate bond repo, the value of the securities is computed after applying the minimum haircut as stipulated by the Reserve Bank of India depending upon the credit rating of the underlying security. The Bank also deals with central counterparties for settlement of government securities outright and repo transactions, forex transactions, interest rate and currency derivatives for which it needs to contribute towards margin obligations. We will be required to post additional collateral in case of downgrade in the external credit rating of the Bank under letter of credit, stand by letter of credit, bank guarantee and unfunded risk participation agreements. In respect of overseas branch operations, generally, the collateral requirements are applicable to banks which have outstanding borrowings or derivative transactions that are subject to margin reset and consequent collateral deposits are governed by a Credit Support Annex respectively. Certain Credit Support Annexes have a clause which requires the counterparties to post/transfer the collateral for an ‘out-of-money’ derivative transaction with the swap counterparty to mitigate the credit risk based upon a threshold credit rating or downgrade in credit rating. We have an Asset Liability Management Committee approved framework for accepting covenants, linked to credit rating downgrade of the Bank and a breach in thresholds of certain financial covenants as a part of borrowing agreements and a stress scenario has been formulated linked to potential outflows due to a breach of rating downgrade covenants. Further, in respect of the overseas branch operations, we have an Asset Liability Management Committee approved framework for incorporating additional collateral posting, acceleration clauses linked to downgrade in the external credit rating of the Bank in letter of credit, stand by letter of credit, bank guarantee and unfunded risk participation agreements. We have not signed any Credit Support Annex with counterparties that require the maintenance of collateral.

We have certain borrowings that would be affected by a one or two notch downgrade of the Bank's current credit rating. These borrowings amount is around 2% of the total borrowings of the Bank at year-end fiscal 2016. If an international credit rating agency downgrades the Bank's credit rating by one or two notches, we would be required to pay an increased interest rate on certain borrowings, and for certain borrowings, we would be required to re-negotiate a new interest rate with our lenders. If we are not able to reach an agreement for an interest rate with a lender, the lender could require us to prepay the outstanding principal amount of the loan. We have placed a limit on such borrowings. Volatility in the international debt markets may constrain our international capital market borrowings.

In September 2013, the Reserve Bank of India initiated a swap facility for banks for incremental foreign currency non-resident U.S. dollar deposits for a minimum tenor of three years, at a fixed rate of 3.5% per annum. The Bank raised US\$ 2.0 billion for a tenure of three years and swapped the same with Reserve Bank of India. A significant portion of these deposits are scheduled to mature in third quarter of fiscal 2017.

There are restrictions on the use of liquidity maintained by UK and Canada subsidiaries of the Bank to meet their overall liquidity needs. The Office of the Superintendent of Financial Institutions of Canada has prescribed a limit of 100% of Tier 1 and Tier 2 capital (as defined under Canadian regulations) on the credit exposure to any single entity or a group of connected entities. ICICI Bank Canada, Bank's Canadian subsidiary, has internally capped this credit exposure at 25% of the limit specified by the Office of the Superintendent of Financial Institutions, except with respect to exposure to the ICICI Bank. In fiscal 2016, ICICI Bank Canada has complied with both regulatory and their internal limits on exposures to any single entity, including to ICICI Bank.

As per the extant regulatory guidelines in the United Kingdom, ICICI Bank UK is subject to a limit of 25% of the capital base on the exposure to an individual counterparty (or a group of related counterparties). The capital base is calculated as the sum of eligible Tier 1 and Tier 2 capital, less any deductions as per the Basel III guidelines. ICICI Bank UK has a capital base of US\$ 684 million at year-end fiscal 2016, resulting in a limit of US\$ 171 million. Also, ICICI Bank UK stipulates various internal limits to manage exposure concentrations within the Bank. The key parameters of risk concentrations measured include sectoral, country, rating category based, product specific exposures, counterparty and large exposures.

The Prudential Regulation Authority issued a new policy statement on Capital Requirements Directive IV Liquidity in June 2015, which was supplemented by supervisory statement on Prudential Regulation Authority's approach to supervising liquidity and funding risk. The new guidelines are applicable from October 1, 2015. As per the guidelines the Bank is required to maintain Liquidity Coverage Ratio, as per the methodology provided in the Delegated Act issued by European Banking Authority in October 2014, at 80% starting October 1, 2015 as a Pillar 1 liquidity requirement. Additionally, Prudential Regulation Authority adopted an interim Pillar 2 approach, in which it specified the Bank to hold high quality liquid assets for add-ons specified in the existing Individual liquidity guidance for the Bank. These add-ons are for specific risks which were not captured in Liquidity Coverage Ratio.

In November 2014, The Office of Superintendent of Financial Institution revised the Liquidity Adequacy Requirements to incorporate Liquidity Coverage Ratio requirements for banks in Canada. The requirements expect banks to have an adequate stock of unencumbered High Quality Liquid Assets that consists of cash or assets that can be converted into cash at little or no loss of value in private markets, to meet its liquidity needs for a 30 calendar day liquidity stress scenario. The standard requires that, absent a situation of financial stress, the value of the coverage ratio of High Quality Liquid Assets to total net cash outflows be no lower than 100%. The Office of the Superintendent of Financial Institutions expects each Canadian bank to have an internal liquidity policy articulating and defining the role of liquid assets within the bank's overall liquidity management system and establishing minimum targets for liquid asset holdings. ICICI Bank Canada has a Liquidity Management Policy and Market Risk Management Policy that are approved by its Board of Directors. These policies require ICICI Bank Canada to maintain a certain percentage of its customer liabilities in liquid assets and to maintain sufficient liquidity to cover net outflows in the "up to 30 days" maturity bucket. These limits are monitored monthly. ICICI Bank Canada has complied with these requirements throughout fiscal 2016.

## Capital Expenditure

Edgar Filing: ICICI BANK LTD - Form 20-F

The following tables set forth, for the periods indicated, certain information related to capital expenditure by category of fixed assets.

	Fiscal 2014 Cost at year-end fiscal 2013 (in millions)	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2014	
Premises	Rs. 47,180	Rs. 1,698	Rs. (949 )	Rs. (11,149 )	Rs. 36,780	US\$ 555
Other fixed assets (including furniture and fixtures)	47,652	6,357	(3,207)	(34,847 )	15,955	241
Assets given on lease	17,509	–	(210 )	(14,966 )	2,333	35
Total	Rs. 112,341	Rs. 8,055	Rs. (4,366)	Rs. (60,962 )	Rs. 55,068	US\$ 831

	Fiscal 2015 Cost at year-end fiscal 2014 (in millions)	Additions/ transfers	Deletions/ transfers	Depreciation	Net assets at year-end fiscal 2015	
Premises	Rs.47,929	Rs.4,465	Rs.(629 )	Rs.(12,258 )	Rs.39,507	US\$596
Other fixed assets (including furniture and fixtures)	50,802	7,519	(3,049)	(38,393 )	16,879	255
Assets given on lease	17,299	-	-	(14,973 )	2,326	35
Total	Rs.116,030	Rs.11,984	Rs.(3,678)	Rs.(65,624 )	Rs.58,712	US\$886



	<b>Fiscal 2016 Cost at year-end fiscal 2015 (in millions)</b>	<b>Additions/ transfers/revaluation</b>	<b>Deletions/ transfers</b>	<b>Depreciation</b>	<b>Net assets at year-end fiscal 2016</b>	
Premises	Rs.51,765	Rs. 29,610	(1) Rs.(724 )	Rs. (13,359 )	Rs.67,292	US\$1,016
Other fixed assets (including furniture and fixtures)	55,272	7,510	(3,215 )	(42,139 )	17,428	263
Assets given on lease	17,299	-	-	(14,885 )	2,414	36
Total	Rs.124,336	Rs. 37,120	Rs.(3,939 )	Rs. (70,383 )	Rs.87,134	US\$1,315

(1) Includes gain on revaluation created through reserve of Rs. 28.2 billion.

The additions to our premises and other assets were Rs. 37.1 billion, including revaluation gain of Rs. 28.2 billion on premises, in fiscal 2016, compared to Rs. 12.0 billion in fiscal 2015.

## Collateral Management

### *Overview*

We define collateral as the assets or rights provided to the Bank by the borrower or a third party in order to secure a credit facility. The Bank would have the rights of a secured creditor in respect of the assets/contracts offered as security for the obligations of the borrower/obligor. We ensure that the underlying documentation for the collateral provides the Bank with appropriate rights over the collateral or other forms of credit enhancement including the right to liquidate, retain or take legal possession of it in a timely manner in the event of default by the counterparty. We also endeavor to keep the assets provided as security to the Bank under adequate insurance during the tenor of the Bank's exposure. The collateral value is monitored periodically.

### *Collateral valuation*

We have an internal framework for updating the collateral values of commercial loans on a periodic basis. Generally, for commercial loans, the value of moveable property held as collateral is updated annually and the value of immovable property held as collateral is updated every three years.

*Types of collateral taken by the Bank*

We determine the appropriate collateral for each facility based on the type of product and risk profile of the counterparty. In the case of corporate and small and medium enterprises financing, fixed assets are generally taken as security for long tenor loans and current assets for working capital finance. For project finance, security of the assets of the borrower and assignment of the underlying project contracts is generally taken. In addition, in some cases, additional security such as pledge of shares, cash collateral, charge on receivables with an escrow arrangement and guarantees is also taken.

For retail products, the security to be taken is defined in the product policy for the respective products. Housing loans and automobile loans are secured by the security of the property/automobile being financed. The valuation of the properties is carried out by an empaneled valuer at the time of sanctioning the loan.

The Bank also offers products which are primarily based on collateral, such as shares, specified securities, warehoused commodities and gold jewelry. These products are offered in line with the approved product policies which include types of collateral, valuation and margining.

The Bank extends unsecured facilities to clients for certain products such as derivatives, credit cards and personal loans. The limits with respect to unsecured facilities have been approved by our Board of Directors.

The decision on the type and quantum of collateral for each transaction is made by the credit approving authority as per the credit approval authorization approved by the Board of Directors. For facilities provided as per approved product policies, collateral is taken in line with the policy.

## Significant Changes

Except as otherwise stated in this annual report, we have experienced no significant changes since the date of fiscal 2016 consolidated financial statements contained in this annual report.

## Segment Revenues and Assets

The Reserve Bank of India in its guidelines on “segmental reporting” has stipulated specified business segments and their definitions, for the purposes of public disclosures on business information for banks in India.

The consolidated segmental report for fiscal 2016, based on the segments identified and defined by the Reserve Bank of India, has been presented as follows:

**Retail Banking** includes our exposures which satisfy the four qualifying criteria of “regulatory retail portfolio” as stipulated by the Reserve Bank of India’s Basel III guidelines. These criteria are as follows:

(i) Orientation criterion: Exposure to an individual person or persons (not to be restricted to an individual, Hindu Undivided Family, trust, partnership firm, private limited companies, public limited companies, co-operative societies, etc.) or to a small business are classified as retail. A small business is defined as one where the three-year average annual turnover is less than Rs. 500 million.

(ii) Product criterion: All exposure should take the form of any of the following:

· revolving credits and lines of credit (including overdrafts);

· term loans and leases (e.g. installment loans and leases, student and educational loans); and

· small business facilities and commitments.

(iii) Low value of individual exposures: The maximum aggregate retail exposure to one counterparty should not exceed the absolute threshold limit of Rs. 50 million.

(iv)

Granularity criterion: The regulatory retail portfolio should be sufficiently diversified to a degree that reduces the risks in the portfolio. The aggregate exposure to one counterparty should not exceed 0.2% of the overall retail portfolio.

**Wholesale Banking** includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included in the Retail Banking segment, as per the Reserve Bank of India guidelines for the Bank.

**Treasury** includes the entire investment and derivative portfolio of the Bank, ICICI Strategic Investments Fund, ICICI Eco-net Internet and Technology Fund (up to December 31, 2013), ICICI Equity Fund (up to September 30, 2015), ICICI Emerging Sectors Fund (up to December 31, 2013), and ICICI Venture Value Fund (up to September 30, 2013).

**Other Banking** includes leasing operations and other items not attributable to any particular business segment of the Bank. It also includes the Bank's banking subsidiaries, i.e., ICICI Bank UK PLC, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company (up to December 31, 2014).

**Life Insurance** represents results of ICICI Prudential Life Insurance Company Limited.

**General Insurance** represents results of ICICI Lombard General Insurance Company Limited.

**Others** include ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Securities Primary Dealership Limited, ICICI Securities Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, ICICI Prudential Pension Funds Management Company Limited, TCW/ICICI Investment Partners Limited (up to June 30, 2013), ICICI Kinfra Limited (up to September 30, 2014) and I-Ven Biotech Limited (up to December 31, 2015).

## Framework for transfer pricing

Liabilities of retail banking and wholesale banking segments are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements and specific charge on account of directed lending to certain sectors categorized as priority sector. Current and savings account deposits are transfer priced at a fixed rate. For term deposits and borrowings, the transfer pricing is primarily based on the categories specified in the Transfer Pricing Policy. Transfer pricing to our asset creation units is based on the incremental cost of deposits (blended for current and savings account deposits) and borrowings adjusted for the maturity of the asset (term premium) and regulatory reserve requirements. The allocated capital is also considered as a source of funding for this purpose.

## Fiscal 2016 Compared with Fiscal 2015

The following table sets forth, for the periods indicated, profit before tax of various segments.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Retail Banking	Rs.27,243	Rs.38,977	US\$588	43.1 %
Wholesale Banking	62,241	(12,454 )	(188 )	-
Treasury	64,687	86,163	1,301	33.2
Other Banking	6,672	6,790	103	1.8
Life Insurance	16,343	17,716	267	8.4
General Insurance	6,907	7,077	107	2.5
Others	14,635	14,252	215	(2.6 )
Profit before tax	Rs. 198,728	Rs. 158,521	US\$2,393	(20.2 )%

## Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Net interest income	Rs. 71,415	Rs. 91,914	US\$1,387	28.7 %

Edgar Filing: ICICI BANK LTD - Form 20-F

Non-interest income	42,771	49,023	740	14.6
Total income	114,186	140,937	2,127	23.4
Non-interest expenses	86,147	97,972	1,479	13.7
Profit before provisions	28,039	42,965	648	53.2
Provisions	796	3,988	60	-
Profit before tax	Rs. 27,243	Rs. 38,977	US\$ 588	43.1 %

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2015	2016	2016	2016/2015 % change
	(in millions, except percentages)			
Advances	Rs. 1,193,521	Rs. 1,608,891	US\$ 24,285	34.8 %
Deposits	2,539,964	2,982,101	45,013	17.4

Loans in the retail banking segment increased primarily due to higher retail disbursements, mainly in home loans, automobile loans and personal loans. The retail banking segment maintained its focus on strengthening its deposit franchise reflected in the increase in the retail deposit base. The savings account deposits of the segment increased by 16.9% from Rs. 1,148.6 billion at year-end fiscal 2015 to Rs. 1,342.3 billion at year-end fiscal 2016.

The profit before tax of the retail banking segment increased from Rs. 27.2 billion in fiscal 2015 to Rs. 39.0 billion in fiscal 2016, primarily due to an increase in net interest income and non-interest income, offset, in part, by higher expenses and provisions.

Net interest income increased by 28.7% from Rs. 71.4 billion in fiscal 2015 to Rs. 91.9 billion in fiscal 2016 primarily due to an increase in the loan portfolio and an increase in average current account and savings account deposits.

Non-interest income increased by 14.6% from Rs. 42.8 billion in fiscal 2015 to Rs. 49.0 billion in fiscal 2016 primarily due to the third party product distribution fees, lending linked fees, transaction banking fees and fees from credit card portfolio.

Non-interest expenses increased by 13.7% from Rs. 86.1 billion in fiscal 2015 to Rs. 98.0 billion in fiscal 2016 primarily due to an increase in direct marketing expenses and an increase in operating expenses due to expansion in branch network.

Provisions increased from Rs. 0.8 billion in fiscal 2015 to Rs. 3.9 billion in fiscal 2016 primarily due to the reversal of a provision, made in earlier years, in fiscal 2015 and provision for fraud at a specific branch of ICICI Bank in fiscal 2016. See also “*Business – Risk management – Credit risk – Assessment of Retail Loans*” and “*Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*”.

### **Wholesale Banking**

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Net interest income	Rs. 84,471	Rs. 83,615	US\$ 1,262	(1.0 )%
Non-interest income	39,004	38,064	575	(2.4 )
Total income	123,475	121,679	1,837	(1.5 )
Non-interest expenses	25,846	25,981	392	0.5
Profit before provisions	97,629	95,698	1,445	(2.0 )
Provisions	35,388	108,152	1,633	-
Profit before tax	Rs. 62,241	Rs. (12,454 )	US\$ (188 )	-

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			2016/2015	
	2015	2016	2016	% change	
	(in millions, except percentages)				
Advances	Rs.2,564,172	Rs.2,609,440	US\$39,388	1.8	%
Deposits	977,780	1,132,167	17,089	15.8	%

The loan portfolio of the wholesale banking segment increased by 1.8% from Rs. 2,564.2 billion at year-end fiscal 2015 to Rs. 2,609.4 billion at year-end fiscal 2016. The low growth in loan portfolio in the wholesale banking was primarily due to weak demand and our cautious approach towards incremental lending in this segment. The increase in the loan portfolio was primarily due to an increase in the domestic corporate loan portfolio. The current account deposits increased by 18.4% from Rs. 279.8 billion at year-end fiscal 2015 to Rs. 331.3 billion at year-end fiscal 2016 and the term deposits in the segment increased by 14.7% from Rs. 698.0 billion at year-end fiscal 2015 to Rs. 800.8 billion at year-end fiscal 2016.

The wholesale banking segment incurred a loss of Rs. 12.4 billion in fiscal 2016 compared to a profit before tax of Rs. 62.2 billion in fiscal 2015.

Net interest income decreased by 1.0% from Rs. 84.5 billion in fiscal 2015 to Rs. 83.6 billion in fiscal 2016 primarily due to the higher additions to non-performing loans, on which interest income is not accrued.



Non-interest income decreased by 2.4% from Rs. 39.0 billion in fiscal 2015 to Rs. 38.0 billion in fiscal 2016 primarily due to a decrease in fee income. The corporate fee income continued to be impacted due to limited fee income opportunities on account of subdued corporate activity.

Provisions increased from Rs 35.4 billion in fiscal 2015 to Rs 108.1 billion in fiscal 2016 primarily due to an increase in additions to non-performing assets in the corporate and small and medium enterprises loan portfolio, including reclassifications of restructured loans as non-performing loans due to the failure of the borrowers to perform as per the restructured terms.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage by borrowers. The key sectors that have been impacted include power, mining, iron & steel, cement and rigs. In view of the uncertainties relating to these sectors and the time that it may take to resolve the Bank's exposure to these sectors, we have made a collective contingency and related reserve at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP. See also "*—Selected Consolidated Financial and Operating Data - Provisions and contingencies (excluding tax provisions) - Provisions for Restructured Loans and Non-performing Assets*".

## Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Net interest income	Rs. 29,632	Rs. 30,969	US\$467	4.5 %
Non-interest income	39,779	61,457	928	54.5
Total income	69,411	92,426	1,395	33.2
Non-interest expenses	1,830	1,796	27	(1.9 )
Profit before provisions	67,581	90,630	1,368	34.1
Provisions	2,894	4,467	67	54.4
Profit before tax	Rs. 64,687	Rs. 86,163	US\$ 1,301	33.2 %

The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			2016/2015	
	2015	2016	2016	% change	
	(in millions, except percentages)				
Investments <sup>1</sup>	Rs. 1,581,528	Rs. 1,604,397	US\$24,217	1.4	%
Borrowings	1,724,173	1,748,074	26,386	1.4	%

1. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 280.7 billion (March 31, 2015: Rs. 284.5 billion) have been re-classified to line item 'Rural Infrastructure and Development Fund' under Other Assets.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options. They also include investments made by ICICI Strategic Investments Fund and ICICI Equity Fund (up to September 30, 2015).

The profit before tax of the treasury segment increased by 33.2% from Rs. 64.7 billion in fiscal 2015 to Rs. 86.2 billion in fiscal 2016 primarily due to an increase in non-interest income, offset, in part, by an increase in provisions.

Net interest income increased by 4.5% from Rs. 29.6 billion in fiscal 2015 to Rs. 31.0 billion in fiscal 2016, primarily due to a decrease in cost of borrowings, offset, in part, by a decrease in yields on investments.

Non-interest income increased by 54.5% from Rs. 39.8 billion in fiscal 2015 to Rs. 61.5 billion in fiscal 2016 primarily due to a gain on sale of stakes in insurance subsidiaries and higher exchange gain on repatriation of retained earnings from overseas operations, offset, in part, by lower gains on the equity and mutual fund investments portfolio.

Provisions increased from Rs. 2.9 billion in fiscal 2015 to Rs. 4.5 billion in fiscal 2016 primarily due to an increase in provision on corporate debt securities, offset, in part, by a decrease in provision on equity shares.

#### Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Net interest income	Rs. 13,422	Rs. 15,288	US\$231	13.9 %
Non-interest income	4,472	2,477	38	(44.6 )
Total income	17,894	17,765	269	(0.7 )
Non-interest expenses	5,494	4,883	74	(11.1 )
Profit before provisions	12,400	12,882	195	3.9
Provisions	5,728	6,092	92	6.4
Profit before tax	Rs. 6,672	Rs. 6,790	US\$ 103	1.8 %

The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Advances	Rs. 561,366	Rs. 638,887	US\$9,644	13.8 %
Investments	60,344	80,001	1,208	32.6
Deposits	341,775	400,943	6,052	17.3
Borrowings	Rs. 205,298	Rs. 252,530	US\$ 3,812	23.0 %

Other banking business includes our leasing operations, our overseas banking subsidiaries, ICICI Bank UK, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company (up to December 31, 2014) and other items not attributable to any particular business segment of the Bank.

The profit before tax of our other banking segment increased marginally from Rs. 6.7 billion in fiscal 2015 to Rs. 6.8 billion in fiscal 2016, primarily due to an increase in net interest income and a decrease in non-interest expense, offset, in part, by a decrease in non-interest income and an increase in provisions.

Net interest income increased by 13.9% from Rs. 13.4 billion in fiscal 2015 to Rs. 15.3 billion in fiscal 2016, primarily due to an increase in net interest income of ICICI Bank UK and an increase in interest received on income tax refunds upon the completion of pending income tax assessments. Net interest income of ICICI Bank UK increased primarily due to an increase in the average volume of interest earning assets.

Non-interest income decreased by 44.6% from Rs. 4.5 billion in fiscal 2015 to Rs. 2.5 billion in fiscal 2016, primarily due to a decrease in non-interest income of ICICI Bank UK and ICICI Bank Canada. In fiscal 2015, non-interest income of ICICI Bank UK was higher primarily due to higher treasury income. Non-interest income of ICICI Bank Canada decreased primarily due to lower forex revaluation gains in fiscal 2016.

Non-interest expenses decreased from Rs. 5.5 billion in fiscal 2015 to Rs. 4.9 billion in fiscal 2016.

Provisions increased by 6.4% from Rs. 5.7 billion in fiscal 2015 to Rs. 6.1 billion in fiscal 2016 primarily due to higher provisions made by ICICI Bank UK and ICICI Bank Canada. Provisions of our UK subsidiary increased from Rs. 3.1 billion in fiscal 2015 to Rs. 3.9 billion in fiscal 2016 primarily due to specific provision made on certain existing impaired loans and an increase in collective provision, offset, in part, by a decrease in

provision on investments. Provisions of our Canadian subsidiary increased from Rs. 1.1 billion in fiscal 2015 to Rs. 1.8 billion in fiscal 2016 primarily due to additional specific provision made on certain impaired loans.

Advances increased by 13.8% from Rs. 561.4 billion at year-end fiscal 2015 to Rs. 638.9 billion at year-end fiscal 2016, primarily due to an increase in advances of ICICI Bank Canada and ICICI Bank UK. Advances of ICICI Bank Canada increased from Rs. 254.2 billion at year-end fiscal 2015 to Rs. 295.5 billion at year-end fiscal 2016 primarily due to an increase in the securitized insured mortgages portfolio. In terms of Canadian dollar, the loan portfolio of ICICI Bank Canada increased from CAD 5.2 billion at year-end fiscal 2015 to CAD 5.8 billion at year-end fiscal 2016. Advances of ICICI Bank UK increased from Rs. 189.7 billion at year-end fiscal 2015 to Rs. 209.1 billion at year-end fiscal 2016 primarily due to an increase in the corporate loan book offset, in part, by a reduction in the foreign currency convertible bond portfolio on account of maturities. In U.S. dollar terms, the loan portfolio of ICICI Bank UK increased from US\$ 3.0 billion at year-end fiscal 2015 to US\$ 3.1 billion at year-end fiscal 2016.

Investments increased by 32.6% from Rs. 60.3 billion at year-end fiscal 2015 to Rs. 80.0 billion at year-end fiscal 2016, primarily due to an increase in investments of ICICI Bank UK and ICICI Bank Canada. The investment portfolio of ICICI Bank UK increased by 58.3% from Rs. 31.1 billion at year-end fiscal 2015 to Rs. 49.3 billion at year-end fiscal 2016 primarily due to an increase in investments in corporate bonds. Investments of ICICI Bank Canada increased on account of rupee depreciation against the Canadian dollar in fiscal 2016.

Deposits increased by 17.3% from Rs. 341.8 billion at year-end fiscal 2015 to Rs. 400.9 billion at year-end fiscal 2016 due to an increase in deposits of ICICI Bank Canada and ICICI Bank UK. Deposits of ICICI Bank Canada increased from Rs. 109.3 billion at year-end fiscal 2015 to Rs. 140.0 billion at year-end fiscal 2016 primarily due to an increase in term deposits from Rs. 78.9 billion at year-end fiscal 2015 to Rs. 101.9 billion at year-end fiscal 2016. Deposits of ICICI Bank UK increased from Rs. 142.8 billion at year-end fiscal 2015 to Rs. 163.4 billion at year-end fiscal 2016, primarily due to an increase in savings and current deposits, offset, in part, by a decrease in term deposits.

Borrowings increased by 23.0% from Rs. 205.3 billion at year-end fiscal 2015 to Rs. 252.5 billion at year-end fiscal 2016 primarily due to an increase in the borrowings of ICICI Bank UK and ICICI Bank Canada. Borrowings of ICICI Bank UK increased primarily due to an increase in inter-bank borrowings, bond borrowings and syndicated borrowings, offset, in part, by a decrease in repo borrowings. Borrowings of ICICI Bank Canada increased primarily due to an increase in securitization of insured mortgages.

With regard to our overseas banking subsidiaries, recent global developments, including decline in crude oil prices and the election by a majority of voters in the United Kingdom to withdraw from the European Union in a national referendum, are expected to slow down economic growth in Canada and the United Kingdom, which in turn could impact the business of our banking subsidiaries in these countries.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Premium earned	Rs. 153,066	Rs. 191,644	US\$2,893	25.2 %
Premium on reinsurance ceded	(1,462 )	(1,657 )	(25 )	13.3
Net premium earned	<b>151,604</b>	189,987	2,868	25.3
Other income	21,377	20,365	307	(4.7 )
Investment income	18,318	21,285	321	16.2
Total income	<b>191,299</b>	<b>231,637</b>	3,496	21.1
Commission paid	5,532	6,200	94	12.1
Claims/benefits paid	9,028	16,975	256	88.0
Operating expenses	17,067	19,951	301	16.9
Total expenses	<b>31,627</b>	43,126	651	36.4
Transfer to linked funds	108,205	139,479	2,105	28.9
Provisions for policy holder liabilities (non-linked)	35,124	31,316	472	(10.8 )
Profit before tax	Rs. 16,343	Rs. 17,716	US\$267	8.4 %

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Investments	Rs. 236,525	Rs. 270,320	US\$ 4,080	14.3 %
Assets held to cover linked liabilities	747,775	752,958	11,365	0.7
Liabilities on life policies in force	936,194	970,534	14,650	3.7

The life insurance industry in India registered a growth of 8.1% in retail weighted new business premium in fiscal 2016, according to the Life Insurance Council. The private sector registered a growth of 13.6% while ICICI Prudential Life Insurance Company registered a growth of 8.1% in fiscal 2016. This was in the context of a 41.3% growth in retail weighted new business premium for ICICI Prudential Life Insurance Company in fiscal 2015, when the overall industry had declined by 10.3% and the private sector had grown by 15.8%.

ICICI Prudential Life Insurance Company maintained its leadership position among the private sector companies with a private market share of 21.9% on a retail weighted new business premium basis in fiscal 2016 compared to 23.3% in fiscal 2015. Overall market share on this basis remained at a similar level of 11.3% in fiscal 2015 and fiscal 2016. Assets under management increased by 3.8% from Rs. 1,001.8 billion at year-end fiscal 2015 to Rs. 1,039.4 billion at year-end fiscal 2016.

The profit before tax of ICICI Prudential Life Insurance Company increased by 8.4% from Rs. 16.3 billion in fiscal 2015 to Rs. 17.7 billion in fiscal 2016 primarily due to an increase in net premium earned and investment income and a decrease in provision for policyholder liabilities, offset, in part, by an increase in transfer to linked funds and operating expenses.

The total premium income of ICICI Prudential Life Insurance Company increased by 25.2% from Rs. 153.1 billion in fiscal 2015 to Rs. 191.6 billion in fiscal 2016 primarily due to an increase in retail renewal premium. Retail renewal premium increased by 25.3% from Rs. 95.7 billion in fiscal 2015 to Rs. 120.0 billion in fiscal 2016. Retail new business premium increased by 10.7% from Rs. 49.3 billion in fiscal 2015 to Rs. 54.6 billion in fiscal 2016. Group premium increased from Rs. 8.0 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016.

Other income of ICICI Prudential Life Insurance Company decreased by 4.7% from Rs. 21.4 billion in fiscal 2015 to Rs. 20.4 billion in fiscal 2016 primarily due to a decrease in surrender charges, foreclosure income and policy fees, offset, in part, by an increase in fund management charges and mortality charges.

Investment income of ICICI Prudential Life Insurance Company increased by 16.2% from Rs. 18.3 billion in fiscal 2015 to Rs. 21.3 billion in fiscal 2016 primarily due to an increase in net realized gains and interest income. The interest income increased from Rs. 16.1 billion in fiscal 2015 to Rs. 18.4 billion in fiscal 2016 primarily due to an increase in average investment. The net realized gains increased from Rs. 2.2 billion in fiscal 2015 to Rs. 2.9 billion in fiscal 2016.

Commission expenses of ICICI Prudential Life Insurance Company decreased by 12.1% from Rs. 5.5 billion in fiscal 2015 to Rs. 6.2 billion in fiscal 2016, primarily on account of a change in product mix from conventional products to linked products as linked products have lower commission rates.

Claims and benefit payouts of ICICI Prudential Life Insurance Company increased by 88.0% from Rs. 9.0 billion in fiscal 2015 to Rs. 17.0 billion in fiscal 2016 primarily due to an increase in surrender claims pertaining to group business.

Transfer to linked funds represents the transfer of premium received, including the renewal premium on linked policies of ICICI Prudential Life Insurance Company to investments, which has increased by 28.9% from Rs. 108.2 billion in fiscal 2015 to Rs. 139.5 billion in fiscal 2016 primarily due to an increase in total premium on linked products. The investible portion of the premium on linked policies of life insurance represents the



premium income including renewal premium received on linked policies of life insurance business invested, after deducting charges and premium for risk coverage, in the underlying asset or index chosen by the policy holder.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased marginally from Rs. 747.8 billion at year-end fiscal 2015 to Rs. 753.0 billion at year-end fiscal 2016 primarily due to an increase in the linked business, which also resulted in higher linked liability.

Liability under existing life insurance policies to be paid by ICICI Prudential Life Insurance Company increased by 3.7% from Rs. 936.2 billion at year-end fiscal 2015 to Rs. 970.5 billion at year-end fiscal 2016.

### General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Gross written premium (including premium on reinsurance accepted)	Rs. 69,367	Rs. 82,960	US\$ 1,252	19.6 %
Premium on reinsurance ceded	(25,091)	(28,611)	(432 )	14.0
Unexpired risk reserve	(1,923 )	(6,133 )	(93 )	-
Net premium earned	42,353	48,216	727	13.8
Commission income (net)	3,738	3,280	50	(12.3 )
Investment income from pool <sup>(1)</sup>	218	242	4	(11.0 )
Investment income	9,280	11,574	175	24.7
Total income	55,589	63,312	956	13.9
Operating expenses	13,870	17,112	258	23.4
Claims/benefits paid (net)	34,434	39,282	593	14.1
Other expenses (net)	378	(159 )	(2 )	-
Total expense	48,682	56,235	<b>849</b>	<b>15.5</b>
Profit/(loss) before tax	Rs. 6,907	Rs. 7,077	US\$ 107	2.5 %

Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral reinsurance arrangement entered into by ICICI Lombard General Insurance Company together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance on March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Investments	Rs.98,212	Rs.112,788	US\$1,702	14.8 %
Current liabilities including claims outstanding	79,885	90,754	1,370	13.6
Provisions	Rs.25,058	Rs.31,158	US\$470	24.3 %

ICICI Lombard General Insurance Company was the largest private sector general insurance company in India in fiscal 2016, with a market share of 8.4% on the basis of gross written premium according to the General Insurance Council of India.

The profit before tax of ICICI Lombard General Insurance Company increased by 2.5% from Rs. 6.9 billion in fiscal 2015 to Rs. 7.1 billion in fiscal 2016 primarily due to an increase in net earned premium and investment income, offset, in part, by an increase in claims and benefits paid.

The gross written premium (including share of the motor third party insurance pool) increased by 19.6% from Rs. 69.4 billion in fiscal 2015 to Rs. 83.0 billion in fiscal 2016 primarily due to an increase in weather and motor insurance business. The net premium income increased from Rs. 42.4 billion in fiscal 2015 to Rs. 48.2 billion in fiscal 2016.

Net commission income decreased from Rs. 3.7 billion in fiscal 2015 to Rs. 3.3 billion in fiscal 2016 primarily due to reduction in reinsurance ceding under the motor voluntary quota share treaty.

Investment income increased from Rs. 9.3 billion in fiscal 2015 to Rs. 11.6 billion in fiscal 2016 primarily due to an increase in realized gains on sale of investment securities and interest income. Interest income increased from Rs. 7.1 billion in fiscal 2015 to Rs. 7.9 billion in fiscal 2016. Realized gain on sale of investment securities increased from Rs. 2.1 billion in fiscal 2015 to Rs. 3.4 billion in fiscal 2016 primarily due to higher gain on sale of corporate bonds.

Operating expenses increased from Rs. 13.9 billion in fiscal 2015 to Rs. 17.1 billion in fiscal 2016 primarily due to an increase in business support expenses in line with an increase in business volumes.

Claims/benefits paid increased from Rs. 34.4 billion in fiscal 2015 to Rs. 39.3 billion in fiscal 2016 reflecting an increase in business and an increase in loss ratio in weather insurance business.

Investments increased by 14.8% from Rs. 98.2 billion at year-end fiscal 2015 to Rs. 112.8 billion at year-end fiscal 2016 primarily due to an increase in business volumes. Current liabilities, including claims outstanding, increased by 13.6% from Rs. 79.9 billion at year-end fiscal 2015 to Rs. 90.8 billion at year-end fiscal 2016 primarily due to an increase in claims outstanding.

#### Others

The “others” segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

ICICI Prudential Asset Management Company manages the ICICI Prudential Mutual Fund, which was the largest mutual fund in India in terms of average funds under management for the three months ended March 31, 2016 according to the Association of Mutual Funds in India. The average assets under management for ICICI Prudential Mutual Fund increased primarily on account of an increase in average assets under management of equity products in fiscal 2016.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the “others” segment decreased from Rs. 14.6 billion in fiscal 2015 to Rs. 14.3 billion in fiscal 2016 primarily due to a decrease in profit before tax of ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited, offset, in part, by an increase in profit before tax of ICICI Prudential Asset Management Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2016/2015 % change
	2015	2016	2016	
	(in millions, except percentages)			
Net interest income	Rs. 3,977	Rs. 4,470	US\$ 67	12.4 %
Non-interest income	25,854	25,461	384	(1.5 )
Total income	29,831	29,931	451	0.3
Non-interest expenses	15,140	15,501	234	2.4
Operating profit before provisions and tax	14,691	14,430	217	(1.8 )
Provisions	56	178	3	-
Profit before tax	Rs. 14,635	Rs. 14,252	US\$ 214	(2.6 )%

Net interest income increased by 12.4% from Rs. 4.0 billion in fiscal 2015 to Rs. 4.5 billion in fiscal 2016.

Non-interest income decreased from Rs. 25.9 billion in fiscal 2015 to Rs. 25.5 billion in fiscal 2016 primarily due to a decrease in fees income and other income of our securities broking and primary dealership subsidiary and management fees of our venture fund management subsidiary, offset, in part, by an increase in management fees of our asset management subsidiary.

Non-interest expenses increased from Rs. 15.1 billion in fiscal 2015 to Rs. 15.5 billion in fiscal 2016 primarily due to an increase in brokerage and staff expenses of our asset management subsidiary.

The profit before tax of ICICI Securities Limited decreased from Rs. 4.5 billion in fiscal 2015 to Rs. 3.7 billion in fiscal 2016 primarily due to a decrease in fee income. Fee income decreased primarily due to a decrease in brokerage income, offset, in part, by an increase in third party product distribution fees. The brokerage income decreased due to a decrease in equity market transactions volumes on Indian stock exchanges.

The profit before tax of ICICI Securities Primary Dealership Limited decreased from Rs. 3.3 billion in fiscal 2015 to Rs. 3.0 billion in fiscal 2016, primarily due to a decrease in trading gains, offset, in part, by an increase in net interest income. Trading gains were higher in fiscal 2015 due to favorable interest rate movements resulting in opportunities for participating in trading activities.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 3.8 billion in fiscal 2015 to Rs. 5.0 billion in fiscal 2016 primarily due to an increase in fee income on account of an increase in average assets under management, change in mix in favor of equity mutual funds which earn higher fees and an increase in margins on mutual funds operations. The above increase was, offset, in part, by an increase in administrative expenses and staff cost.

The profit before tax of ICICI Home Finance Company Limited decreased from Rs. 3.0 billion in fiscal 2015 to Rs. 2.7 billion in fiscal 2016 primarily due to an increase in provisions and a decrease in fees income. Net interest income remained at similar level of Rs. 2.9 billion in fiscal 2015 and fiscal 2016. Fees income decreased from Rs. 1.0 billion in fiscal 2015 to Rs. 0.9 billion in fiscal 2016. Provisions increased from Rs. 0.1 billion in fiscal 2015 to Rs. 0.2 billion.

ICICI Venture Fund Management Company Limited made a loss of Rs. 0.21 billion in fiscal 2016 compared to a profit of Rs. 0.1 billion in fiscal 2015 primarily due to a decrease in management fees and other income, offset, in part, by a decrease in staff costs and other administrative expenses. Management fees decreased primarily due to a decrease in accrual of fees from funds that were concluded and change in fee basis from commitment amount to net

outstanding investments/outstanding capital in other funds.

Fiscal 2015 Compared with Fiscal 2014

The following table sets forth, for the periods indicated, profit before tax of various segments.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Retail Banking	Rs. 18,295	Rs. 27,243	US\$411	48.9 %
Wholesale Banking	65,886	62,241	939	(5.5 )
Treasury	52,565	64,687	976	23.1
Other Banking	9,032	6,672	101	(26.1 )
Life Insurance	15,292	16,343	247	6.9
General Insurance	5,202	6,907	104	32.8
Others	9,784	14,635	221	49.6
Profit before tax	Rs. 176,056	Rs. 198,728	US\$2,999	12.9 %

#### Retail Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			
	2014	2015	2015	2015/2014 % change
	(in millions, except percentages)			
Net interest income	Rs. 57,730	Rs. 71,415	US\$ 1,078	23.7 %
Non-interest income	36,211	42,771	646	18.1
Total income	93,941	114,186	1,724	21.6
Non-interest expenses	76,583	86,147	1,300	12.5
Profit before provisions	17,358	28,039	423	61.5
Provisions	(937 )	796	12	—
Profit before tax	Rs. 18,295	Rs. 27,243	US\$ 411	48.9 %

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2014	2015	2015	2015/2014 % change
	(in millions, except percentages)			
Advances	Rs. 903,841	Rs. 1,193,521	US\$ 18,015	32.0 %
Deposits	2,252,516	2,539,964	38,339	12.8

Loans in the retail banking segment increased primarily due to higher retail disbursements, mainly in home loans, automobile loans and personal loans. The retail banking segment maintained its focus on strengthening its deposit franchise reflected in the increase in retail deposit base. The savings account deposits of the segment increased by 15.9% from Rs. 991.3 billion at year-end fiscal 2014 to Rs. 1,148.6 billion at year-end fiscal 2015.

The profit before tax of the retail banking segment increased from Rs. 18.3 billion in fiscal 2014 to Rs. 27.2 billion in fiscal 2015, primarily due to an increase in net interest income and non-interest income. This was offset, in part, by an increase in non-interest expenses.

Net interest income increased by 23.7% from Rs. 57.7 billion in fiscal 2014 to Rs. 71.4 billion in fiscal 2015, primarily due to an increase in the loan portfolio and an increase in average current account and savings account deposits.

Non-interest income increased by 18.1% from Rs. 36.2 billion in fiscal 2014 to Rs. 42.8 billion in fiscal 2015, primarily due to the third party product distribution fees, fees from the credit card business, transaction banking fees and higher loan processing fees.

Non-interest expenses increased by 12.5% from Rs. 76.6 billion in fiscal 2014 to Rs. 86.1 billion in fiscal 2015, primarily due to an increase in retail lending business and an increase in operating expenses due to expansion in branch network.

In fiscal 2015, provision were Rs 0.8 billion compared to write-back of provision of Rs. 0.9 billion in fiscal 2014, primarily due to a decrease in write-backs on unsecured retail non-performing loan portfolio. While in the past our retail portfolio had experienced higher than anticipated losses, especially in the unsecured retail segment, this portfolio has been stable since fiscal 2012 due to our focus on secured retail products and cautious approach to lending in unsecured retail products. Further, while making our credit decisions, we also refer to a centralized database on delinquent loans and reports from the credit bureau to review the borrowers' profile and assign credit scores to each applicant. This has also resulted in lower addition to non-performing assets. See also "*Business – Risk management – Credit risk – Assessment of Retail Loans*" and "*Business – Classification of loans – Impact of Economic Environment on Commercial and Consumer Loan Borrowers*".

### ***Wholesale Banking***

The following table sets forth, for the periods indicated, the principal components of profit before tax.



	Year ended March 31,			
	2014	2015	2015	2015/2014 % change
	(in millions, except percentages)			
Net interest income	Rs. 75,393	Rs. 84,471	US\$ 1,275	12.0 %
Non-interest income	40,565	39,004	589	(3.8 )
Total income	115,958	123,475	1,864	6.5
Non-interest expenses	24,057	25,846	390	7.4
Profit before provisions	91,901	97,629	1,474	6.2
Provisions	26,015	35,388	534	36.0
Profit before tax	Rs. 65,886	Rs. 62,241	US\$ 940	(5.5 )%

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance at March 31,			
	2014	2015	2015	2015/2014 % change
	(in millions, except percentages)			
Advances	Rs. 2,380,760	Rs. 2,564,172	US\$ 38,704	7.7 %
Deposits	974,884	977,780	14,759	0.3 %

The wholesale banking loan portfolio increased by 7.7% from Rs. 2,380.8 billion at year-end fiscal 2014 to Rs. 2,564.2 billion at year-end fiscal 2015. The moderate growth in the wholesale banking loan portfolio was primarily due to weak demand and our cautious approach towards incremental lending in this segment. The increase in the loan portfolio was primarily due to an increase in the domestic corporate loan portfolio. The current account deposits increased by 16.0% from Rs. 241.1 billion at year-end fiscal 2014 to Rs. 279.8 billion at year-end fiscal-2015 and the term deposits in the segment decreased by 4.9% from Rs. 733.7 billion at year-end fiscal 2014 to Rs. 698.0 billion at year-end fiscal 2015.

The profit before tax of the wholesale banking segment decreased from Rs. 65.9 billion in fiscal 2014 to Rs. 62.2 billion in fiscal 2015, primarily due to an increase in provisions, offset, in part, by an increase in net interest income.

Net interest income increased by 12.0% from Rs. 75.4 billion in fiscal 2014 to Rs. 84.5 billion in fiscal 2015, primarily due to an increase in loan portfolio.

Non-interest income decreased by 3.8% from Rs. 40.6 billion in fiscal 2014 to Rs. 39.0 billion in fiscal 2015 primarily due to a decrease in fee income. The corporate fee income continued to be muted due to the slow pace of economic recovery and limited new capital investments by the corporate sector.

Provisions increased from Rs. 26.0 billion in fiscal 2014 to Rs. 35.4 billion in fiscal 2015, primarily due to higher provisions reflecting higher additions to non-performing loans due to an increase in classification of standard restructured loans as non-performing loans due to failure of the borrowers to perform as per the restructured debt terms. See also “*Selected Consolidated Financial and Operating Data - Provisions and contingencies (excluding tax provisions) - Provisions for Restructured Loans and Non-performing Assets*”.

## Treasury

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Net interest income	Rs. 29,390	Rs. 29,632	US\$447	0.8 %
Non-interest income	25,704	39,779	600	54.8
Total income	55,094	69,411	1,047	26.0
Non-interest expenses	1,777	1,830	28	3.0
Profit before provisions	53,317	67,581	1,019	26.8
Provisions	752	2,894	44	-
Profit before tax	Rs. 52,565	Rs. 64,687	US\$975	23.1 %

The following table sets forth, for the periods indicated, the closing balances of key assets and liabilities.

	Closing balance at March 31,			2015/2014	
	2014	2015	2015	% change	
	(in millions, except percentages)				
Investments <sup>(1)</sup>	Rs. 1,521,868	Rs. 1,581,528	US\$23,872	3.9	%
Borrowings	1,547,591	1,724,173	26,025	11.4	%

1. In accordance with the Reserve Bank of India circular dated July 16, 2015, investments in the Rural Infrastructure and Development Fund and other related deposits of Rs. 284,508 million (At March 31, 2014: Rs. 248,193 million) have been re-classified to line item 'Rural Infrastructure and Development Fund' under - Other Assets.

Our treasury operations include the maintenance and management of regulatory reserves, proprietary trading in equity and fixed income and a range of foreign exchange and derivatives products and services, such as forward contracts, swaps and options. It also includes investments made by ICICI Eco-net Internet and Technology Fund (up to December 31, 2013), ICICI Equity Fund, ICICI Emerging Sectors Fund (up to December 31, 2013), ICICI Strategic Investments Fund and ICICI Venture Value Fund (up to September 30, 2013).

The profit before tax of the treasury segment increased from Rs. 52.6 billion in fiscal 2014 to Rs. 64.7 billion in fiscal 2015, primarily due to an increase in non-interest income offset, in part, by an increase in provisions.

Net interest income increased marginally by 0.8% from Rs. 29.4 billion in fiscal 2014 to Rs. 29.6 billion in fiscal 2015, primarily due to purchase of medium tenor securities at higher yields in the held-to-maturity category, maturity/sale of lower-yielding shorter tenor securities in fiscal 2015 and re-set of coupons on floating rate bonds at a higher yield as compared to fiscal 2014. The above increase was, offset, in part, by lower yields on non-statutory liquidity ratio investments due to maturity of high yielding bonds and debentures.

Non-interest income increased from Rs. 25.7 billion in fiscal 2014 to Rs. 39.8 billion in fiscal 2015, primarily due to higher realized gain on the treasury segment's government securities portfolio and other fixed income positions, net exchange gains relating to overseas operations, an increase in dividend income from subsidiaries, and higher gains on the equity and preference shares portfolio.

Provisions increased from Rs. 0.8 billion in fiscal 2014 to Rs. 2.9 billion in fiscal 2015 primarily on account of an increase in provision on equity and preference shares.

## Other Banking

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Net interest income	Rs. 10,615	Rs. 13,422	US\$ 203	26.4 %
Non-interest income	5,903	4,472	68	(24.2 )
Total income	16,518	17,894	<b>271</b>	8.3
Non-interest expenses	5,109	5,494	83	7.5
Profit before provisions	11,409	12,400	<b>188</b>	8.7
Provisions	2,377	5,728	86	-
Profit before tax	Rs. 9,032	Rs. 6,672	US\$ 102	(26.1 )%

The following table sets forth, for the periods indicated, the outstanding balances of the key assets and liabilities.

	Outstanding balance on March 31,			2015/2014	
	2014	2015	2015	% change	
	(in millions, except percentages)				
Advances	Rs. 534,086	Rs. 561,366	US\$8,473	5.1	%
Investments	58,417	60,344	911	3.3	
Deposits	372,840	341,775	5,159	(8.3	)
Borrowings	Rs. 187,829	Rs. 205,298	US\$3,099	9.3	%

Other banking business includes our leasing operations, our overseas banking subsidiaries, ICICI Bank UK, ICICI Bank Canada and ICICI Bank Eurasia Limited Liability Company (up to December 31, 2014) and other items not attributable to any particular business segment of the Bank.

The profit before tax of our other banking segment decreased from Rs. 9.0 billion in fiscal 2014 to Rs. 6.7 billion in fiscal 2015, primarily due to an increase in provisions and a decrease in non-interest income, offset, in part, by an increase in net interest income.

Net interest income increased by 26.4% from Rs. 10.6 billion in fiscal 2014 to Rs. 13.4 billion in fiscal 2015, primarily due to an increase in net interest income of ICICI Bank UK and an increase in interest received on income tax refunds upon the completion of pending income tax assessments. This was offset, in part, by a decrease in net interest income of ICICI Bank Canada primarily due to a decrease in net interest margin in fiscal 2015 compared to fiscal 2014.

Non-interest income decreased by 24.2% from Rs. 5.9 billion in fiscal 2014 to Rs. 4.5 billion in fiscal 2015, primarily due to a decrease in non-interest income of ICICI Bank, offset, in part, by an increase in non-interest income of ICICI Bank UK. Non-interest income of ICICI Bank decreased primarily due to a decrease in gain on the sale of fixed assets. Non-interest income of ICICI Bank UK increased primarily due to higher treasury income, offset, in part, by a decrease in fee income.

Non-interest expenses increased by 7.5% from Rs. 5.1 billion in fiscal 2014 to Rs. 5.5 billion in fiscal 2015.

Provisions increased from Rs. 2.4 billion in fiscal 2014 to Rs. 5.7 billion in fiscal 2015 primarily due to higher provisions made by ICICI Bank UK and ICICI Bank Canada. In ICICI Bank UK, provision increased primarily due to specific provision made on certain existing impaired loans and an increase in specific provision on investments and collective provision made compared to write-back of collective provision in fiscal 2014. In ICICI Bank Canada,

provision increased primarily due to additional specific provision made on certain impaired loans. This was offset, in part, by higher write-back of collective provision in fiscal 2015.

Loans increased by 5.1% from Rs. 534.1 billion at year-end fiscal 2014 to Rs. 561.4 billion at year-end fiscal 2015, primarily due to an increase in loans of ICICI Bank UK and ICICI Bank. Loans of ICICI Bank UK increased from Rs. 166.2 billion at year-end fiscal 2014 to Rs. 189.7 billion at fiscal 2015 primarily due to an increase in corporate loan book offset, in part, by reduction in foreign currency convertible bond portfolio due to maturities. Loans of ICICI Bank Canada decreased from Rs. 260.3 billion at year-end fiscal 2014 to Rs. 254.2 billion at fiscal 2015 primarily due to depreciation of Canadian dollar against the Rupee. However, in terms of Canadian dollar, the loan portfolio of ICICI Bank Canada increased from CAD 4.8 billion at year-end fiscal 2014 to CAD 5.2 billion at year-end fiscal 2015 due to an increase in the securitization loan portfolio, offset, in part, by a decrease in corporate loan portfolio.

Investments increased by 3.3% from Rs. 58.4 billion at year-end fiscal 2014 to Rs. 60.3 billion at year-end fiscal 2015, primarily due to an increase in investments of ICICI Bank Canada and ICICI Bank UK. ICICI Bank Canada's investment portfolio increased by 4.3 % from Rs. 28.0 billion at year-end fiscal 2014 to Rs. 29.2 billion at year-end fiscal 2015 primarily due to an increase in investment in government securities. Investments of ICICI Bank UK increased on account of rupee depreciation against the U.S. dollar in fiscal 2015.

Deposits decreased by 8.3% from Rs. 372.8 billion at year-end fiscal 2014 to Rs. 341.8 billion at year-end fiscal 2015 due to a decrease in deposits of ICICI Bank Canada and ICICI Bank UK. Deposits of ICICI Bank Canada decreased from Rs. 132.1 billion at year-end fiscal 2014 to Rs. 109.3 billion at year-end fiscal 2015, primarily due to a decrease in term deposits from Rs. 96.2 billion at year-end fiscal 2014 to Rs. 78.9 billion at

year-end fiscal 2015 and a decrease in savings account deposits from Rs. 31.8 billion at year-end fiscal 2014 to Rs. 25.9 billion at year-end fiscal 2015. Deposits of ICICI Bank UK decreased from Rs. 151.8 billion at year-end fiscal 2014 to Rs. 142.8 billion at year-end fiscal 2015, primarily on account of a decrease in savings account deposits and term deposits.

Borrowings increased by 9.3% from Rs. 187.8 billion at year-end fiscal 2014 to Rs. 205.3 billion at year-end fiscal 2015, primarily due to an increase in the borrowings of ICICI Bank Canada, offset, in part, by a decrease in borrowings of ICICI Bank UK. Borrowings of ICICI Bank Canada increased due to an increase in borrowings through securitization of mortgages. Borrowings of ICICI Bank UK decreased due to repayment of syndicated loans and repo borrowings, offset, in part, by an increase in inter-bank borrowings and bond borrowings.

### Life Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Premium earned	Rs. 124,287	Rs. 153,066	US\$2,310	23.2 %
Premium on reinsurance ceded	(1,460 )	(1,462 )	(22 )	0.1
Net premium earned	122,827	<b>151,604</b>	<b>2,288</b>	23.4
Other income	22,989	21,377	323	(7.0 )
Investment income	13,685	18,318	276	33.9
Total income	159,501	<b>191,299</b>	<b>2,887</b>	19.9
Commission paid	6,275	5,532	84	(11.8 )
Claims/benefits paid	10,773	9,028	136	(16.2 )
Operating expenses	17,095	17,067	258	(0.2 )
Total expenses	34,143	<b>31,627</b>	<b>478</b>	(7.4 )
Transfer to linked funds	81,387	108,205	1,633	33.0
Provisions for policy holder liabilities (non-linked)	28,679	35,124	530	22.5
Profit before tax	Rs. 15,292	Rs. 16,343	US\$246	6.9 %

The following table sets forth, for the periods indicated, the outstanding balance of key assets and liabilities.

	Outstanding balance on March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			

Edgar Filing: ICICI BANK LTD - Form 20-F

Investments	Rs. 187,764	Rs. 236,525	US\$3,570	26.0	%
Assets held to cover linked liabilities	603,104	747,775	11,287	24.0	
Liabilities on life policies in force	749,265	936,194	14,131	24.9	

The life insurance industry in India registered a decline of 10.7% in retail weighted new business premium in fiscal 2015 according to the Life Insurance Council. The private sector registered a growth of 14.8% while ICICI Prudential Life Insurance Company registered a growth of 41.0% in fiscal 2015.

ICICI Prudential Life Insurance Company maintained its leadership position among the private sector companies with a private market share of 23.3% on a retail weighted new business premium basis in fiscal 2015 compared to 18.9% in fiscal 2014. Overall market share on this basis increased from 7.2% in fiscal 2014 to 11.3% in fiscal 2015, according to the Life Insurance Council. Assets under management increased by 24.3% from Rs. 806.0 billion at year-end fiscal 2014 to Rs. 1,001.8 billion at year-end fiscal 2015.

The profit before tax of ICICI Prudential Life Insurance Company increased by 6.9% from Rs. 15.3 billion in fiscal 2014 to Rs. 16.3 billion in fiscal 2015 primarily due to an increase in net premium earned and investment income and a decrease in claims and benefits paid, offset, in part, by an increase in transfer to linked funds and provisions for policy holder liabilities.



The total premium income of ICICI Prudential Life Insurance Company increased by 23.2% from Rs. 124.3 billion in fiscal 2014 to Rs. 153.1 billion in fiscal 2015 primarily due to an increase in retail new business premium. Retail new business premium increased by 37.3% from Rs. 35.9 billion in fiscal 2014 to Rs. 49.3 billion in fiscal 2015. Retail renewal premium increased by 18.1% from Rs. 81.0 billion in fiscal 2014 to Rs. 95.7 billion in fiscal 2015. Group premium increased by 8.1% from Rs. 7.4 billion in fiscal 2014 to Rs. 8.0 billion in fiscal 2015.

Other income of ICICI Prudential Life Insurance Company decreased by 7.0% from Rs. 23.0 billion in fiscal 2014 to Rs. 21.4 billion in fiscal 2015 primarily due to a decrease in policy fees, foreclosure income and surrender charges.

Investment income of ICICI Prudential Life Insurance Company increased by 33.9% from Rs. 13.7 billion in fiscal 2014 to Rs. 18.3 billion in fiscal 2015, primarily due to an increase in net realized gains and interest income. The interest income increased due to an increase in debt assets under management.

Commission expenses of ICICI Prudential Life Insurance Company decreased by 11.8% from Rs. 6.3 billion in fiscal 2014 to Rs. 5.5 billion in fiscal 2015, primarily on account of a change in product mix from conventional products to linked products as linked products have lower commission rates.

Claims and benefit payouts of ICICI Prudential Life Insurance Company decreased from Rs. 10.8 billion in fiscal 2014 to Rs. 9.0 billion in fiscal 2015. There were higher surrender claims pertaining to group business in fiscal 2014.

Transfer to linked funds represents the transfer of premium received, including the renewal premium on linked policies of ICICI Prudential Life Insurance Company to investments, which has increased by 33.0% from Rs. 81.4 billion in fiscal 2014 to Rs. 108.2 billion in fiscal 2015 primarily due to an increase in new business premium on linked products in fiscal 2015.

Assets held to cover the linked liabilities of ICICI Prudential Life Insurance Company increased by 24.0% from Rs. 603.1 billion at year-end fiscal 2014 to Rs. 747.8 billion at year-end fiscal 2015 primarily due to an increase in linked business and higher investment valuations due to improved market conditions in fiscal 2015.

Liability under existing life insurance policies to be paid by ICICI Prudential Life Insurance Company increased by 24.9% from Rs. 749.3 billion at year-end fiscal 2014 to Rs. 936.2 billion at year-end fiscal 2015 primarily due to an increase in linked liabilities due to improved market conditions in fiscal 2015.

General Insurance

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Gross written premium (including premium on reinsurance accepted)	Rs. 71,761	Rs. 69,367	US\$ 1,047	(3.3 )%
Premium on reinsurance ceded	(26,781)	(25,091)	(379 )	(6.3 )
Unexpired risk reserve	(1,451 )	(1,923 )	(29 )	32.5
Net premium earned	43,529	42,353	<b>639</b>	(2.7 )
Commission income (net)	2,291	3,738	56	63.2
Investment income from pool <sup>(1)</sup>	179	218	3	21.8
Investment income	7,877	9,280	140	17.8
Total income	53,876	55,589	<b>838</b>	3.2
Operating expenses	12,129	13,862	209	14.3
Claims/benefits paid	36,189	34,434	520	(4.8 )
Other expenses (net)	356	386	6	8.4
Total expense	48,674	48,682	735	-
Profit/(loss) before tax	Rs. 5,202	Rs. 6,907	US\$ 103	32.8 %

Investment income from pool represents our share of income from the terrorism pool. The pool represents a multilateral reinsurance arrangement entered into by ICICI Lombard General Insurance Company together with other Indian insurance companies and the General Insurance Corporation of India. The funds belonging to the terrorism pool are administered by the General Insurance Corporation of India.

The following table sets forth, for the periods indicated, the outstanding balances of key assets and liabilities.

	Outstanding balance on March 31,			
	2014	2015	2015	2015/2014 % change
	(in millions, except percentages)			
Investments	Rs. 87,452	Rs. 98,212	US\$ 1,482	12.3 %
Current liabilities including claims outstanding	87,278	79,711	1,203	(8.7 )
Provisions	Rs. 23,223	Rs. 25,058	US\$ 378	7.9 %

ICICI Lombard General Insurance Company was the largest private sector general insurance company in India in fiscal 2015, with a market share of 8.3% on the basis of gross written premium according to the General Insurance Council of India.

The profit before tax of ICICI Lombard General Insurance Company increased by 32.8% from Rs. 5.2 billion in fiscal 2014 to Rs. 6.9 billion in fiscal 2015 primarily due to a decrease in claim benefit paid and an increase in investment income and commission income offset, in part, by an increase in operating expenses and a decrease in net premium earned.

The gross written premium (including share of the motor third party insurance pool) decreased by 3.3% from Rs. 71.8 billion in fiscal 2014 to Rs. 69.4 billion in fiscal 2015 primarily due to a decline in weather insurance and health insurance business. In fiscal 2015, due to highly competitive pricing in the market, ICICI Lombard General Insurance Company reduced its business in group and mass health segments and adopted a cautious approach to the weather insurance segment. The net premium income decreased from Rs. 43.5 billion in fiscal 2014 to Rs. 42.4 billion in fiscal 2015.

Net commission income increased from Rs. 2.3 billion in fiscal 2014 to Rs. 3.7 billion in fiscal 2015 primarily due to an increase in commission on reinsurance ceded in retail health insurance business.

Investment income increased from Rs. 7.9 billion in fiscal 2014 to Rs. 9.3 billion in fiscal 2015 primarily due to an increase in interest income on investments and higher realized gains.

Operating expenses increased from Rs. 12.1 billion in fiscal 2014 to Rs. 13.9 billion in fiscal 2015 primarily due to higher business support expenses on account of an increase in retail business.

Claims/benefits paid decreased from Rs. 36.2 billion in fiscal 2014 to Rs. 34.4 billion in fiscal 2015 primarily due to a decrease in aviation, health and weather insurance business and reduction in ultimate loss ratio for the declined risk pool from 210% to 175%.

Investments increased by 12.3% from Rs. 87.5 billion at year-end fiscal 2014 to Rs. 98.2 billion at year-end fiscal 2015 primarily due to an increase in business volumes. Current liabilities, including claims outstanding, decreased by 8.7% from Rs. 87.3 billion at year-end fiscal 2014 to Rs. 79.7 billion at year-end fiscal 2015 primarily due to settlement of motor third party pool for fiscal 2011 and fiscal 2012.

#### Others

The “others” segment mainly includes ICICI Prudential Asset Management Company Limited, ICICI Venture Funds Management Company Limited, ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Home Finance Company Limited.

ICICI Prudential Asset Management Company Limited manages the investment schemes of ICICI Prudential Mutual Fund, the second largest mutual funds in India in terms of average funds under management in March 2015, with a market share of 12.5%, according to Association of Mutual Funds in India. The average

assets under management for ICICI Prudential Mutual Fund increased primarily on account of an increase in average assets under management of equity products in fiscal 2015.

ICICI Securities Limited and ICICI Securities Primary Dealership Limited are engaged in equity underwriting and brokerage and primary dealership in government securities respectively. ICICI Securities Limited owns icicidirect.com, a leading online brokerage platform.

The profit before tax of the “others” segment increased from Rs. 9.8 billion in fiscal 2014 to Rs. 14.6 billion in fiscal 2015 mainly due to an increase in profit before tax of ICICI Securities Limited, ICICI Securities Primary Dealership Limited and ICICI Prudential Asset Management Company Limited.

The following table sets forth, for the periods indicated, the principal components of profit before tax.

	Year ended March 31,			2015/2014 % change
	2014	2015	2015	
	(in millions, except percentages)			
Net interest income	Rs.4,291	Rs.3,977	US\$60	(7.3 )%
Non-interest income	17,606	25,854	390	46.8
Total income	21,897	29,831	450	36.2
Non-interest expenses	12,097	15,140	229	25.2
Operating profit before provisions and tax	9,800	14,691	<b>221</b>	49.9
Provisions	16	56	1	-
Profit before tax	Rs.9,784	Rs.14,635	US\$220	49.6 %

Net interest income decreased by 7.3% from Rs. 4.3 billion in fiscal 2014 to Rs. 4.0 billion in fiscal 2015.

Non-interest income increased from Rs. 17.6 billion in fiscal 2014 to Rs. 25.9 billion in fiscal 2015 primarily due to an increase in brokerage and distribution income of our securities broking subsidiary, trading gains of primary dealership subsidiary and management fees of asset management subsidiary.

Non-interest expenses increased from Rs. 12.1 billion in fiscal 2014 to Rs. 15.1 billion in fiscal 2015 primarily due to an increase in distribution expenses of our asset management subsidiary.

The profit before tax of ICICI Securities Limited increased from Rs. 1.4 billion in fiscal 2014 to Rs. 4.5 billion in fiscal 2015 primarily due to an increase in brokerage income and third party product distribution fees, offset, in part, by an increase in staff cost. The brokerage and third party product distribution income increased in fiscal 2015 primarily due to an improvement in equity market in India.

The profit before tax of ICICI Securities Primary Dealership Limited increased from Rs. 2.0 billion in fiscal 2014 to Rs. 3.3 billion in fiscal 2015, primarily due to an increase in trading gains and fee income offset, in part, by a decrease in net interest income. Trading gains were higher in fiscal 2015 due to favorable interest rate movements resulting in opportunities for participating in trading activities.

The profit before tax of ICICI Prudential Asset Management Company Limited increased from Rs. 2.8 billion in fiscal 2014 to Rs. 3.8 billion in fiscal 2015 primarily due to an increase in fee income on account of an increase in average assets under management, change in mix in favor of equity mutual funds which earn higher fees and an increase in margins on mutual funds operations. The above increase was, offset, in part, by an increase in administrative expenses and staff cost.

The profit before tax of ICICI Home Finance Company Limited decreased marginally from Rs. 3.1 billion in fiscal 2014 to Rs. 3.0 billion in fiscal 2015.

The profit before tax of ICICI Venture Fund Management Company Limited decreased from Rs. 0.4 billion in fiscal 2014 to Rs. 0.1 billion in fiscal 2015 primarily due to a decrease in income from venture capital funds and an increase in interest costs. In fiscal 2015, ICICI Venture Fund Management Company sought an extension for funds that were expected to conclude during the year and offered a liquidity option to investors who wished to exit from the funds. ICICI Venture Fund Management Company took bank loans to fund the liquidity option provided to investors and paid interest on loans taken.

## Related Party Transactions

In fiscal 2016, we entered into transactions with related parties consisting of (i) associates/other related entities and (ii) key management personnel and their close family members.

## Related Parties

### Associates/Other Related Entities

In fiscal 2016, the following parties were identified as our associates/other related entities: FINO PayTech Limited, I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited, Comm Trade Services Limited, ICICI Foundation for Inclusive Growth, ICICI Merchant Services Private Limited, India Infradebt Limited, India Advantage Fund-III, India Advantage Fund-IV, Catalyst Management Services Private Limited and Akzo Nobel India Limited.

### Key Management Personnel and their Close Family Members

Our key management personnel include our executive directors. The following individuals were our key management personnel in fiscal 2016: Ms. Chanda Kochhar; Mr. N. S. Kannan; Ms. Vishakha Mulye (identified as related party from the three months ended March 31, 2016), Mr. K. Ramkumar and Mr. Rajiv Sabharwal. The close family members of the above key management personnel are also our related parties. Close family members in relation to the executive directors means their spouses, children, siblings and parents. We have applied the Indian GAAP standard in determining the close family members of the executive directors.

## Related Party Transactions

The following are the material transactions between us and our associates/other related entities or our key management personnel or their close family members. A related party transaction is disclosed as a material related party transaction whenever it exceeds 10% of all related party transactions in that category.

For additional details, see also “*Management—Compensation and Benefits to Directors and Officers—Loans*” and note 2 - “Related Party Transactions” of Schedule 18 to the consolidated financial statements included herein.

### Insurance Services

During fiscal 2016, we received insurance premiums from our associates/other related entities amounting to Rs. 42 million, from key management personnel of the Bank amounting to Rs. 3 million and from the close family members of key management personnel amounting to Rs. 2 million. Our material transactions during fiscal 2016 amounted to Rs. 23 million of premiums received from ICICI Foundation for Inclusive Growth and amounted to Rs. 13 million of premiums received from FINO PayTech Limited. The premiums received were towards cover for health insurance, personal accident, marine and miscellaneous items.

During fiscal 2016, we paid claims to our associates/other related entities amounting to Rs. 22 million. Our material transactions during fiscal 2016 include Rs. 13 million of claims paid to FINO PayTech Limited and Rs. 9 million of claims paid to Akzo Nobel India Limited.

### Fees, Commission and Other Income

During fiscal 2016, we received fees, commission and other income from our associates/other related entities amounting to Rs. 21 million, from key management personnel of the Bank amounting to Rs. 0.3 million and from the close family members of key management personnel amounting to Rs. 0.1 million. Our material transactions during fiscal 2016 included Rs. 17 million of fees, commission and other income received from India Infradebt Limited and Rs. 3 million of fees, commission and other income received from ICICI Merchant Services Private Limited. These transactions primarily generated management, arranger fees and bank charges for us.

### Lease of Premises, Shared Corporate and Facilities Expenses

During fiscal 2016, we received lease of premises, facilities and other administrative costs from our associates/other related entities amounting to Rs. 87 million. Our material transactions during fiscal 2016 included Rs. 57 million received from ICICI Foundation for Inclusive Growth and Rs. 23 million from FINO



PayTech Limited. The amounts were paid by ICICI Foundation for Inclusive Growth to the Bank and by FINO PayTech Limited to ICICI Securities Limited towards its share of the shared corporate expenses, infrastructure and technology sharing charges.

#### Secondment of Employees

During fiscal 2016, we received compensation from ICICI Foundation for Inclusive Growth amounting to Rs. 8 million and I-Process Services (India) Private Limited amounting to Rs. 3 million for the secondment of our employees.

#### Brokerage, Fees and Other Expenses

During fiscal 2016, we paid brokerage, fees and other expenses to our associates/other related entities amounting to Rs. 5.3 billion. Our material transactions during fiscal 2016 included Rs. 2.9 billion in brokerage, fees and other expenses paid to I-Process Services (India) Private Limited and Rs. 2.3 billion in brokerage, fees and other expenses paid to ICICI Merchant Services Private Limited. These transactions primarily pertain to outsourcing services and expenses towards providing basic banking services.

#### Purchase of Investments

During fiscal 2016, ICICI Securities Primary Dealership Limited invested Rs. 3.6 billion and ICICI Prudential Life Insurance Company Limited invested Rs. 0.6 billion in the non-convertible debentures issued by India Infradebt Limited.

#### Redemption/buyback of Investments

During fiscal 2016, we received Rs. 454 million from India Advantage Fund-III and Rs. 446 million from India Advantage Fund-IV on account of redemption of units and distribution of gain/loss on units.

#### Custodial services

During fiscal 2016, we received custodial charges from our associates/other related entities amounting to Rs. 2 million. Our material transactions during fiscal 2016 included custodial charges received from India Advantage Fund-III amounting to Rs. 0.8 million and from India Advantage Fund-IV amounting to Rs. 0.6 million.

#### Interest Expenses

During fiscal 2016, we paid interest on deposits to our associates/other related entities amounting to Rs. 98 million, to our key management personnel amounting to Rs. 4 million and to the close family members of key management personnel amounting to Rs. 3 million. Our material transactions during fiscal 2016 included Rs. 88 million of interest paid to India Infradebt Limited.

#### Interest Income

During fiscal 2016, we received interest from our associates/other related entities amounting to Rs. 118 million, from our key management personnel amounting to Rs. 2 million and from the close family members of key management personnel amounting to Rs. 0.8 million. Our material transactions during fiscal 2016 included Rs. 70 million of interest received from India Infradebt Limited and Rs. 48 million of interest received from ICICI Merchant Services Private Limited. These transactions mainly pertain to interest received on non-convertible debentures.

#### Dividends Paid

During fiscal 2016, the Bank paid dividends to its key management personnel, amounting to Rs. 14 million and to the close family members of key management personnel amounting to Rs. 0.0 million (insignificant amount). The dividend paid during fiscal 2016 to Ms. Chanda Kochhar was Rs. 11 million, to Mr. N. S. Kannan was Rs. 2 million and to Mr. Rajiv Sabharwal was Rs. 0.6 million.

#### Donations Given

During fiscal 2016, we gave donations to the ICICI Foundation for Inclusive Growth amounting to Rs. 862 million.

## Related Party Balances

The following table sets forth, at the date indicated, our balance payable to/receivable from our associates/other related entities:

Items	At year-end fiscal 2016 (in million)
Deposits from related parties held by us	Rs. 1,004
Loans and advances to related parties <sup>(1)</sup>	0.4
Our investments in related parties	5,363
Investments in our shares held by related parties	..
Payables to related parties	730
Receivables from related parties	37
Guarantees issued by us for related parties	Rs.0.5

The following table sets forth, at the date indicated, the balance payable to/receivable from the key management personnel:

Items	At year-end fiscal 2016 (in million, except number of shares)
Deposits from key management personnel	Rs. 36
Loans and advances to key management personnel <sup>(2)</sup>	55
Investments in our shares held by key management personnel	7
Employee stock options outstanding (numbers)	29,811,500
Employee stock options exercised <sup>(3)</sup>	Rs. 75

The following table sets forth, at the date indicated, the balance payable to/receivable from the close family members of key management personnel:

Items	At year-end fiscal 2016
-------	----------------------------------

	(in million)
Deposits from close family members of key management personnel	Rs. 64
Loans and advances to close family members of key management personnel <sup>(1)</sup>	Rs. 8

The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the key management personnel:

Items	Year ended March 31, 2016 (in million)
Deposits from key management personnel	Rs. 193
Loans and advances to key management personnel <sup>(2)</sup>	55
Investments in our shares held by key management personnel	Rs. 7

The following table sets forth, for the period indicated, the maximum balance payable to/receivable from the close family members of key management personnel:

Items	Year ended March 31, 2016 (in million)
Deposits from close family members of key management personnel	Rs. 94
Loans and advances to close family members of key management personnel <sup>(1)</sup>	Rs. 15

The loans and advances (a) were made in the ordinary course of business, (b) were made on substantially the same (1) terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

The loans and advances (a) were made in the ordinary course of business and were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other (2) persons or (b) were made on the same terms, including interest rates and collateral, as those prevailing at the time for other employees as part of employee loan scheme, and (c) did not involve more than the normal risk of collectability or present other unfavorable features.

(3) During fiscal 2016, 723,500 employee stock options were exercised by the key management personnel of the Bank, which have been reported at exercise price.

Joint Ventures and Associates

From fiscal 2008, investment in FINO Pay Tech Limited (earlier known as Financial Inclusion Network & Operations Limited), I-Process Services (India) Private Limited, I-Solutions Providers (India) Private Limited, NIIT Institute of Finance, Banking and Insurance Training Limited and ICICI Venture Value Fund were accounted as equity affiliates in Consolidated Financial Statements. Due to an increase in the equity stake in the ICICI Venture Value Fund from 48.0% to 54.8% in fiscal 2010 by ICICI Ventures Fund Management Company Limited, a wholly owned subsidiary of the Bank, ICICI Venture Value Fund has been consolidated as required by AS 21 on “Consolidated Financial Statements”. However, from fiscal 2014, due to redemption of units of ICICI Venture Value Fund, this entity ceased to be a consolidating entity and accordingly, has not been consolidated. In fiscal 2012, I-Solutions Providers (India) Private Limited was amalgamated with I-Process Services (India) Private Limited.

From fiscal 2009, investment in Prize Petroleum Company Limited was accounted as per the equity affiliates in Consolidated Financial Statements. From fiscal 2012, due to the sale of investments in the equity share capital of Prize Petroleum Company Limited, this entity ceased to be an affiliate from its date of the sale, and, accordingly, has not been consolidated.

From fiscal 2010, investment in Rainbow Fund and ICICI Merchant Services Private Limited were accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2014, due to redemption of units of Rainbow Fund, this entity ceased to be an equity affiliate from its date of the redemption, and, accordingly, has not been consolidated.

From fiscal 2011, investment in Mewar Aanchalik Gramin Bank was accounted as equity affiliate in Consolidated Financial Statements. However, from fiscal 2015, Mewar Aanchalik Gramin Bank and another Regional Rural Bank were amalgamated into a single Regional Rural Bank. ICICI Bank does not have any shareholding in the new Regional Rural Bank. Accordingly, this entity ceased to be an equity affiliate from its date of the amalgamation, and, accordingly, has not been consolidated.

From fiscal 2013, investment in India Infradebt Limited was accounted as an equity affiliate. In fiscal 2014, TCW/ICICI Investment Partners Limited ceased to be a jointly controlled entity and accordingly, has not been consolidated. From fiscal 2015, investment in India Advantage Fund-III and India Advantage Fund-IV was accounted as equity affiliates.

Under Indian GAAP, we have not consolidated certain entities in which investments are intended to be temporary. However, under U.S. GAAP, these entities have been consolidated in accordance with FASB ASC Subtopic 810-10, "Consolidation – Overall".

#### Reconciliation of Net Profit between Indian GAAP and U.S. GAAP

Our consolidated financial statements are prepared in accordance with Indian GAAP, which differs in certain significant aspects from U.S. GAAP. The following discussion explains the significant adjustments to our consolidated profit after tax under Indian GAAP in fiscal 2016, fiscal 2015 and fiscal 2014 that would result from the application of U.S. GAAP instead of Indian GAAP.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 73.04 billion in fiscal 2016 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 101.8 billion under Indian GAAP. In fiscal 2016, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning under U.S. GAAP as compared to Indian GAAP, higher losses due to valuation of debt and equity securities and the impact of differences in accounting for compensation cost under U.S. GAAP, offset, in part, by the impact of amortization of loan processing fees, net of costs under U.S. GAAP, higher gains due to difference in consolidation accounting between Indian GAAP and U.S. GAAP and higher deferred tax benefit as compared to Indian GAAP. See also *note 20 to our "Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes"* under U.S. GAAP included herein.

The difference in accounting for the provision for loan losses resulted in a lower net income by Rs. 28.02 billion in fiscal 2016 as compared to lower net income by Rs. 7.8 billion in fiscal 2015 under U.S. GAAP, as compared to Indian GAAP. This was primarily due to differences in the methodology of computing loan loss allowances between Indian GAAP and U.S. GAAP, resulting in timing differences in the recognition of such allowances. In fiscal 2016, the aggregate provision on troubled debt restructured loans and other impaired loans under U.S. GAAP increased significantly, as compared to Indian GAAP, due to significantly higher additions to impaired loans under U.S. GAAP as compared to Indian GAAP. Further, provisions were also impacted due to differences in method of measurement of provisions between Indian GAAP and U.S. GAAP.

There are uncertainties in respect of certain sectors due to the weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage. The key sectors that have been impacted include power, mining, iron and steel, cement and rigs. In view of the uncertainties relating to these

sectors and the time that it may take to resolve the Bank's exposure to these sectors, we have made a collective contingency and related reserve under Indian GAAP at March 31, 2016 of Rs. 36.0 billion towards the Bank's exposure to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under RBI guidelines and Indian GAAP. Under U.S. GAAP, there was no collective contingency and related reserve taken to provide for its exposure to these sectors, with the result that Rs. 36.0 billion has been deducted from the allowance for loan losses under U.S. GAAP. Instead, these exposures were individually assessed for impairment and, under U.S. GAAP, an allowance for loan losses was made based on the present value of expected cash flows for exposures identified as impaired.

The cumulative provisions under U.S. GAAP at year-end fiscal 2016 continue to be higher than the cumulative provisions held under Indian GAAP, by Rs. 41.84 billion, as shown in the statement of stockholders' equity reconciliation. See also *note 20(a) to our "Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes"* under U.S. GAAP included herein.

The difference in accounting for business combinations resulted in lower net income under U.S. GAAP by Rs. 0.4 billion in fiscal 2016 and by Rs. 0.7 billion in fiscal 2015, primarily because of the amortization of intangible assets. Under Indian GAAP, no intangible assets were created in business combinations by the Bank. However, under U.S. GAAP, intangible assets are created as required by FASB ASC Topic 805, "Business Combinations". These intangible assets are amortized over its estimated useful life.



The difference in accounting for consolidation resulted in higher net income by Rs. 3.0 billion in fiscal 2016 as compared to lower net income by Rs. 4.0 billion in fiscal 2015 under U.S. GAAP, as compared to Indian GAAP. ICICI Group has been accounting investment in 3i Infotech Limited as an associate under U.S. GAAP but not under Indian GAAP. Accordingly, the Group has been accounting its share of losses in 3i Infotech Limited under U.S. GAAP. In fiscal 2016, the Group sold equity shares in 3i Infotech Limited resulting in reduction in equity shareholding below 5.0%. Accordingly, the Group discontinued equity affiliate accounting for its investment in 3i Infotech Limited and losses accounted in earlier years under U.S. GAAP were reversed, resulting positive impact of Rs. 2.3 billion under U.S. GAAP as compared to Indian GAAP. Further, there was higher gains of our insurance subsidiaries amounting to Rs. 0.8 billion as compared to Indian GAAP in fiscal 2016. See also *note 20(c) to our “Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes”* under U.S. GAAP included herein.

The difference in accounting for the valuation of debt and equity securities resulted in lower net income by Rs. 5.5 billion in fiscal 2016 as compared to lower net income by Rs. 2.2 billion in fiscal 2015 under U.S. GAAP as compared to Indian GAAP.

Under Indian GAAP unrealized losses of held-for-trading and available-for-sale securities are taken to profit and loss account. Under Indian GAAP, net unrealized gains on investments by category are ignored. Under U.S. GAAP, unrealized gains or losses on trading assets are recognized in the profit and loss account and unrealized gains or losses on securities classified as ‘available-for-sale’, which include all securities classified as ‘held-to-maturity’ under Indian GAAP, are recognized in other comprehensive income under stockholders’ equity except for the unrealized losses on securities identified as other-than-temporarily impaired which are recognized in profit and loss account. There was a negative impact of other-than-temporary impairment of Rs. 6.7 billion in fiscal 2016 as compared to Rs. 3.8 billion in fiscal 2015 under U.S. GAAP. Further, there was a positive impact of Rs. 5.1 billion in fiscal 2016 as compared to a positive impact of Rs. 1.1 billion in fiscal 2015 under U.S. GAAP, due to differences in mark-to-market accounting for available-for-sale securities.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring under which conversion of debt into equity resulting acquisition of ownership interests in the borrower by banks is allowed. The Reserve Bank of India has exempted banks from consolidation of these entities. Banks, including ICICI Bank acquired equity shares in certain entities by invoking strategic debt restructuring. Under U.S. GAAP, these entities were considered as equity affiliates. The Bank opted for fair value option of these equity affiliates under ASC Topic 825 “Financial Instruments”. Accordingly, fair value changes in the loan and equity shares were accounted through income statement. This resulted in a loss of Rs. 7.5 billion under U.S. GAAP.

The Bank had created other-than-temporary-impairment on its equity investment in 3i Infotech Limited in the earlier year under U.S. GAAP and not under Indian GAAP, which was reversed under U.S. GAAP on sale of equity shares of 3i Infotech Limited in fiscal 2016, resulting in a positive impact under U.S. GAAP as compared to Indian GAAP amounting to Rs. 2.3 billion. See also *note 20(d) to our “Consolidated financial statements —Schedules forming part of the consolidated financial statements —Additional notes”* under U.S. GAAP included herein.

We earn fees and incur costs on the origination of loans which are recognized upfront in Indian GAAP but are amortized in U.S. GAAP. Amortization of loan origination fees and costs resulted in higher income by Rs. 7.9 billion in fiscal 2016 as compared to Rs. 10.2 billion in fiscal 2015 under U.S. GAAP as compared to Indian GAAP. Under U.S. GAAP as compared to Indian GAAP, retirement benefit cost was lower by Rs. 1.0 billion in fiscal 2016 as compared to Rs. 2.4 billion in fiscal 2015 due to actuarial losses which are accounted upfront in the profit and loss account under Indian GAAP, but accounted in other comprehensive income under U.S. GAAP and thereafter amortized as per U.S. GAAP accounting guidelines. See also *note 20(e) to our “Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes”* under U.S. GAAP included herein.

Under Indian GAAP, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which has been accumulated in the foreign currency translation reserve and which refers to that operation are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized. Under U.S. GAAP, gain or loss accumulated in the foreign currency translation reserve is recognized in the income statement only on complete/substantially complete disposal of a non-integral foreign operation. Accordingly, profit on exchange difference on repatriation of retained earnings from overseas branches amounting to Rs. 9.4 billion under Indian GAAP was reversed under U.S. GAAP resulting in lower profit by Rs. 9.4 billion under U.S. GAAP compared to Indian GAAP in fiscal 2016. In fiscal 2015, profit on exchange difference on repatriation of retained earnings from

overseas branches amounting to Rs. 7.5 billion under Indian GAAP was reversed under U.S. GAAP. See also *note 20(j) to our “Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes”* under U.S. GAAP included herein.

Deferred tax expenses were lower by Rs. 7.5 billion in fiscal 2016 as compared to Rs. 11.6 billion in fiscal 2015 under U.S. GAAP as compared to Indian GAAP.

The Bank and its housing finance subsidiary create a Special Reserve through appropriation of profits, in order to avail the tax benefits as per the Income Tax Act, 1961. Such tax benefits are refundable if the funds are withdrawn from the Special Reserve in future periods. A deferred tax liability was not being recognized on such Special Reserve as the Group does not intend to ever withdraw from this Reserve and therefore differences between taxable income and accounting income were considered not to be temporary in nature. In fiscal 2014, the Reserve Bank of India advised all banks in India to recognize a deferred tax liability on the amount outstanding in Special Reserve, under Indian GAAP. Further, in fiscal 2015, the National Housing Board advised all housing finance companies in India to recognize a deferred tax liability on the amount outstanding in Special Reserve, under Indian GAAP. Under U.S. GAAP, deferred taxes are recognized and measured based on the expected manner of recovery and deferred taxes are not recognized if the expected manner of recovery does not give rise to tax consequences. Accordingly, a deferred tax liability was not created on Special Reserve based on the Group’s continuing intention to not ever withdraw/utilize such Special Reserve and on an opinion from the legal counsel about non-taxability of such Special Reserve in the scenario of liquidation. This resulted in a reversal of deferred tax liability of Rs. 4.6 billion under U.S. GAAP which were recognized under Indian GAAP in fiscal 2016.

Further, there was difference due to the positive tax impact of Rs. 12.4 billion in fiscal 2016 on U.S. GAAP adjustments over Indian GAAP as compared to the positive tax impact of Rs. 3.8 billion in fiscal 2015.

The Bank had recognized a deferred tax asset on capital losses under U.S. GAAP based on more-likely-than-not criteria. Under Indian GAAP, deferred tax assets were not recognized on such capital losses due to virtual certainty criteria. Accordingly, the Bank had created deferred tax on carried forward capital losses under U.S. GAAP. In fiscal 2016, deferred tax assets, recognized under U.S. GAAP, was reversed due to capital gain earned resulting in lower deferred tax assets of Rs. 3.7 billion under U.S. GAAP.

In fiscal 2016, the Bank paid current taxes and created a deferred tax asset of Rs. 5.9 billion on the foreign currency translation reserves pertaining to its overseas branches under Indian GAAP. Under U.S. GAAP, no deferred taxes are recognized on undistributed earnings of overseas branches where current taxes have been incurred, resulting in a lower deferred tax asset of Rs. 5.9 billion under U.S. GAAP. Further, there was a reversal of deferred tax assets of Rs. 0.7 billion recognized in earlier years on undistributed earnings of subsidiaries and affiliates under U.S. GAAP, but not recognized under Indian GAAP. See also “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20(i)*” under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 116.9 billion in fiscal 2015 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 122.5 billion under Indian GAAP. In fiscal 2015, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning of Rs. 7.8 billion under U.S. GAAP as compared to Indian GAAP, reversal of exchange gain of Rs. 7.5 billion recognized in the income statement under Indian GAAP on repatriation of retained earnings by overseas branches, lower profits of Rs. 1.4 billion attributable to the shareholders' of ICICI Bank from insurance subsidiaries and higher share of loss of Rs. 2.5 billion in equity affiliate, higher losses of Rs. 2.2 billion on valuation of securities under U.S. GAAP and the impact of differences in accounting for compensation cost under U.S. GAAP of Rs. 2.7 billion, offset, in part, by a higher deferred tax benefit of Rs. 11.6 billion as compared to Indian GAAP and the impact of amortization of loan processing fees, net of costs of Rs. 10.2 billion under U.S. GAAP. See also "*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20*" under U.S. GAAP included herein.

Consolidated net income attributable to the shareholders of ICICI Bank of Rs. 101.4 billion in fiscal 2014 under U.S. GAAP was lower than the profit after tax attributable to the shareholders of ICICI Bank of Rs. 110.4 billion under Indian GAAP. In fiscal 2014, the net income under U.S. GAAP was lower primarily due to the impact of higher loan loss provisioning of Rs. 8.7 billion under U.S. GAAP, negative impact of Rs. 5.8 billion on valuation of securities under U.S. GAAP as compared to Indian GAAP, reversal of exchange gain recognized in the income statement under Indian GAAP on repatriation of profits by overseas branches amounting to Rs.

2.2 billion, negative impact of Rs. 2.2 billion due to differences in accounting for compensation cost under U.S. GAAP and lower profits of Rs. 1.2 billion attributable to ICICI Bank from insurance subsidiaries. In fiscal 2014, as compared to Indian GAAP, net income under U.S. GAAP was impacted positively by the impact of amortization of loan origination fees and costs of Rs. 6.9 billion and lower deferred tax expenses of Rs. 5.2 billion as compared to Indian GAAP. See also “*Consolidated financial statements—Schedules forming part of the consolidated financial statements—Additional notes—Note 20*” under U.S. GAAP included herein.

For a further description of significant differences between Indian GAAP and U.S. GAAP, a reconciliation of net income and stockholders’ equity to U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements included herein.

### Critical Accounting Policies

In order to understand our financial condition and the results of operations, it is important to understand our significant accounting policies and the extent to which we use judgments and estimates in applying those policies. Our accounting and reporting policies are in accordance with Indian GAAP and conform to standard accounting practices relevant to our products and services and the businesses in which we operate. Indian GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported income and expenses during the reported period. Accordingly, we use a significant amount of judgment and estimates based on assumptions for which the actual results are uncertain when we make the estimation. See also “*Consolidated Financial Statements—Schedule 17—Significant Accounting Policies*” included herein.

### ICICI Bank Limited

#### Accounting for Investments

ICICI Bank accounts for its investments in accordance with the guidelines on investment classification and valuation issued by the Reserve Bank of India. We classify all our investments into the following categories: (a) held-to-maturity, (b) available-for-sale and (c) held for trading. Under each classification, we further categorize investments into (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures, (e) subsidiaries and joint ventures and (f) others.

Held-to-maturity securities are carried at their acquisition cost or at the amortized cost, if acquired at a premium over the face value. Any premium over the face value of the fixed rate and floating rate securities acquired is amortized over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. Equity

investments in joint ventures/associates are categorized as held-to-maturity in accordance with the Reserve Bank of India guidelines. These instruments are assessed for any permanent diminution in value and appropriate provisions are made.

Available for sale and held for trading securities of the Bank are valued in accordance with the guidelines issued by the Reserve Bank of India. The Bank amortizes the premium, if any, over the face value of its fixed and floating rate investments in government securities classified as available-for-sale over the remaining period to maturity on a constant effective yield basis and straight line basis respectively. The market value of quoted investments is based on the trades/quotes on recognized stock exchanges, subsidiary general ledger account transactions, and price list of the Reserve Bank of India or prices declared by the Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association, periodically.

The Bank computes the market value of its unquoted government securities which are in the nature of statutory liquidity ratio securities included in the available-for-sale and held for trading categories in accordance with rates published by the Fixed Income Money Market and Derivatives Association.

The Bank computes the market value of unquoted non-government fixed income securities (including Pass Through Certificates), under the available-for-sale and held for trading category, wherever linked to the yield-to-maturity rates, with a mark-up (reflecting associated credit risk) over the yield to maturity rates for government securities published by the Fixed Income Money Market and Derivatives Association.

The Bank computes the market value of its unquoted equity shares at the break-up value, if the latest balance sheet is available. If such a balance sheet is not available, the unquoted equity shares are valued at Re. 1 in accordance with the Reserve Bank of India guidelines.

The Bank computes the market value of its securities, under the available-for-sale and held for trading categories, scrip-wise (that is, by individual securities) and the depreciation/appreciation on securities, other than those acquired by way of loans is aggregated for each category. Net appreciation in each category, if any, is ignored, as it is unrealized while net depreciation is provided for. Non-performing investments are identified based on the Reserve Bank of India guidelines. Depreciation on securities acquired by way of conversion of outstanding loan is fully provided for. Depreciation on equity shares acquired and held by the Bank under Strategic Debt Restructuring scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity.

The Bank accounts for repurchase and reverse repurchase transactions with banks and financial institutions as borrowing and lending transactions respectively in accordance with the current guidelines of the Reserve Bank of India. The Bank accounts for transactions with the Reserve Bank of India under the liquidity adjustment facility as borrowing and lending transactions.

As per the Reserve Bank of India guidelines, the Bank follows the trade date method of accounting for the purchase and sale of investments, except for government of India and state government securities, for which the settlement date method of accounting is followed.

#### Provisions/Write-offs on Loans and Other Credit Facilities

Provisions are generally made by ICICI Bank on standard, substandard and doubtful assets at rates prescribed by the Reserve Bank of India. Loss assets and unsecured portions of doubtful assets are provided/written off to the extent required by the Reserve Bank of India guidelines. Loans held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant Reserve Bank of India guidelines, are classified as non-performing loans to the extent of the amount outstanding in the host country. For loans booked in overseas branches, which are standard as per the extant Reserve Bank of India guidelines but are classified as non-performing loans based on host country guidelines, provisions are made as per the host country regulations. In respect of borrowers classified as non-cooperative borrowers, willful defaulters and non-performing assets covered under distressed assets framework of the Reserve Bank of India, the Bank makes accelerated provisions as per extant the Reserve Bank of India guidelines. The Bank held specific provisions for retail loans that are higher than the minimum regulatory requirements. The Bank held specific provisions against non-performing loans and a general provision against standard loans and floating provision taken over from the Bank of Rajasthan upon amalgamation.

The diminution in the fair value of a restructured loan, if any, measured in present value terms, is either written off or a provision is made to the extent of the diminution involved. A restructured loan, which is classified as a standard restructured loan, is subject to higher standard asset provisioning and higher risk weight for capital adequacy purposes than non-restructured standard loans up to the period specified in the guidelines. The specified period is a period of one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with the longest moratorium as per the restructuring package during which payment performance is monitored. The loan continues to be classified as restructured until it reverts to the normal level of standard asset provisions/risk

weights for capital adequacy purposes, which is a period of one year after the end of the specified period. Banks are required to disclose the aggregate fund-based credit facilities of borrowers whose loans were restructured.

The Bank also creates general provisions on its standard loans based on the guidelines issued by the Reserve Bank of India including provisions on loans to borrowers having unhedged foreign currency exposure and provision on exposure to step-down subsidiaries of Indian companies. For performing loans in overseas branches, the general provision is made at higher of host country regulations requirement and the Reserve Bank of India requirement.

Additionally, the Bank creates provisions on individual country exposures including indirect country risk (other than for home country exposures). The countries are categorized into seven risk categories: insignificant, low, moderately low, moderate, moderately high, high and very high and provisioning is made for those exposures exceeding 180 days on a graded scale ranging from 0.25% to 25%. For exposures with a contractual maturity of less than 180 days, provision is required to be held at 25% of the rates applicable to exposures exceeding 180 days. The indirect exposure is reckoned at 50% of the exposure. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required for such country exposure.



## Transfer and Servicing of Assets

ICICI Bank transfers commercial and consumer loans through securitization transactions. The transferred loans are de-recognized, and gains/losses are accounted for only if we surrender the rights to benefits specified in the underlying securitized loan contract. Recourse and servicing obligations are accounted for net of provisions.

Under Indian GAAP, with effect from February 1, 2006, net income arising from securitization of loan assets is accounted for over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. With effect from May 7, 2012, the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by the Reserve Bank of India. Net loss arising on account of the sell-down securitization and direct assignment of loan assets is recognized at the time of sale.

In the case of loans sold to an asset reconstruction company, the excess provision was not reversed but is utilized to meet the shortfall/loss on account of the sale of other financial assets to the securitization/ reconstruction company. With effect from February 26, 2014, in accordance with the Reserve Bank of India guidelines, in case of non-performing loans sold to a securitization/reconstruction company, the Bank reverses the excess provision in profit and loss account in the year in which amounts are received.

## ICICI Prudential Life Insurance Company

Premium for non-linked policies is recognized as income when due from policyholders. For unit-linked business, premium is recognized as income when the associated units are created. Premium on lapsed policies is recognized as income when such policies are reinstated.

Income from unit-linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the unit-linked funds in accordance with terms and conditions of policies issued and are recognized when due.

Acquisition costs are costs that vary with and are primarily related to the acquisition of insurance contracts and are expensed in the period in which they are incurred.

The actuarial liabilities are calculated in accordance with accepted actuarial practice, requirements of Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), regulations notified by the Insurance Regulatory and Development Authority of India and Actuarial Practice Standards of the Institute of Actuaries of India.

Funds for future appropriation (Unit linked) - Amounts estimated by Appointed Actuary as funds for future appropriation in respect of lapsed unit linked policies, are set aside in the Balance Sheet and are not available for distribution to Shareholders until the expiry of the maximum revival period.

Funds for future appropriation (Non-unit and Non-participating)- On the basis of recommendation of the Appointed Actuary surplus in the non-unit fund of linked line of business and non-participating funds may be held as Funds for future appropriations or appropriated to the Shareholders' funds. When held in the policyholders' funds, Funds for future appropriation provides capital for contingencies such as revival of lapsed or foreclosed policies.

Funds for future appropriation (Participating) - Based on the recommendation of Appointed Actuary unappropriated surplus is held in the Balance Sheet as Funds for future appropriations.

Investments are made and accounted for in accordance with the Insurance Act, 1938 (amended by the Insurance Laws (Amendment) Act, 2015), Insurance Regulatory and Development Authority (Investments) Regulations, 2000 amended from time to time, Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, Investment Policy of the Company and various other circulars/notifications issued by the Insurance Regulatory and Development Authority of India in this context from time to time. Accordingly, unrealized gain on investment is not taken into the profit and loss account except in the case of unit-linked businesses. Unrealized gains/losses arising due to changes in the fair value of equity shares and mutual fund units, in non-unit-linked policyholders' and shareholders' segments, are reflected in the "Fair value change account" in the balance sheet.

## Fair Value Measurements

We determine the fair values of our financial instruments based on the fair value hierarchy established in ASC Topic 820. The standard describes three levels of inputs that may be used to measure fair value.

The valuation of Level 1 instruments is based upon the unadjusted quoted prices of identical instruments traded in active markets.

The valuation of Level 2 instruments is based upon the quoted prices for similar instruments in active markets, the quoted prices for identical or similar instruments in markets that are not active, prices quoted by market participants and prices derived from valuation models which use significant inputs that are observable in active markets. Inputs used include interest rates, yield curves, volatilities and credit spreads, which are available from public sources such as Reuters, Bloomberg, Foreign Exchange Dealers Association of India and the Fixed Income Money Markets and Derivatives Association of India.

The valuation of Level 3 instruments is based on valuation techniques or models which use significant market unobservable inputs or assumptions. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or when the determination of the fair value requires significant management judgment or estimation.

The valuation methodologies adopted by us for valuing our investments and derivatives portfolio are summarized below. A substantial portion of the portfolio is valued based on the unadjusted quoted or traded prices or based on models using market observable inputs such as interest rates, yield curves, volatilities and credit spreads available from public sources like Reuters, Bloomberg and stock exchanges.

The rupee denominated fixed income portfolio, which includes all rupee investments in government securities and corporate bonds, is valued based on guidelines for market participants established by the Fixed Income Money Market and Derivatives Association. The Fixed Income Money Market and Derivatives Association is an association of scheduled commercial banks, public financial institutions, primary dealers and insurance companies, and is a voluntary market body for bonds, derivatives and money markets in India. The international investments portfolio is generally valued on the basis of quoted prices. In certain markets, due to illiquidity, we use alternate valuation methodologies based on our own assumptions and estimates of the fair values.

A substantial part of the derivatives portfolio is valued using market observable inputs like swap rates, foreign exchange rates, volatilities and forward rates. The valuation of derivatives is carried out primarily using the market

quoted swap rates and foreign exchange rates. Certain structured derivatives are valued based on counterparty quotes. The exposure regarding derivative transactions is computed and is marked against the credit limits approved for the respective counterparties.

We also hold investments and derivatives that have been valued based on unobservable inputs or that involve significant assumptions made by the management in arriving at their fair values. Such instruments are classified under Level 3 as per the classification defined in FASB ASC Topic 820 "Fair Value Measurements and Disclosures".

A description of the valuation methodologies of Level 3 investments under U.S. GAAP

Our total investment in Level 3 instruments amounted to Rs. 117.5 billion at year-end fiscal 2016, as compared to Rs. 128.7 billion at year-end fiscal 2015. Out of the total Level 3 investments, investments amounting to Rs. 113.2 billion were India-linked and investments amounting to Rs. 4.3 billion were non-India linked. India-linked investments consisted of pass through certificates of Rs. 94.2 billion, corporate bonds of Rs. 11.0 billion, venture capital units of Rs. 4.5 billion, equity shares of Rs. 3.1 billion and security receipts of Rs. 0.4 billion. Non-India linked investments consisted of mortgage backed securities of Rs. 3.9 billion and equity shares of Rs. 0.4 billion at year-end fiscal 2016.

Bonds that have been identified as illiquid and valued on the basis of a valuation model are classified as Level 3 instruments, only if the input used to value those securities is collected from unobservable market data or if the bonds were valued after making adjustment to the market observable data. The investment in bonds of

Rs. 11.0 billion is valued at the amortized cost net of impairment or using significant management estimates and assumptions or based on market value of the underlying collateral.

Due to illiquidity in the asset backed and mortgage backed security markets, a substantial part of these securities are classified as Level 3 and valuation models are used to value these securities.

The valuation of Indian pass through certificates is dependent on the estimated cash flows that the underlying trust would pay out. The underlying trust makes assumptions with regards to various variables to arrive at the estimated cash flows. The cash flows for pass through certificates are discounted at the yield-to-maturity rates and credit spreads published by Fixed Income Money Market and Derivatives Association on month ends.

The valuation of security receipts and venture capital funds is calculated using the net asset value published by the issuing company.

Our Canadian subsidiary holds retained interest, largely representing the excess spread of mortgage interest over the rate of return on the mortgaged backed securities, which has been recorded as available-for-sale securities in the balance sheet at fair value of Rs. 3.9 billion determined using an internal model.

The methodologies we use for validating the pricing of products which are priced with reference to market observable inputs include comparing the outputs of our models with counterparty quotes, in comparison with pricing from third party pricing tools, replicating the valuation methodology used in the model or other methods used on a case-by-case basis. The prices are also computed under various scenarios and are checked for consistency. However, for products where there are no reliable market prices or market observable inputs available, valuation is carried out using models developed using alternate approaches and incorporating proxies wherever applicable. The independent validation of pricing models is performed by an entity/unit independent of the risk management group.

## **Recently Issued Accounting Pronouncements under U.S. GAAP**

### ***Revenue from contracts with customers***

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from contracts with customers” (ASU2014-09), an update to Topic 606 – Revenue from contracts with customers. The amendments in this Update require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Accounting Standards Update No. 2014-09 is effective for interim and annual reporting periods beginning after December 15, 2017. We are in the process of evaluating the impact of adopting this statement.

***Measuring the financial assets and the financial liabilities of a consolidated collateralized financing entity***

In August 2014, the FASB issued Accounting Standards Update No. 2014-13, “Measuring the financial assets and the financial liabilities of a consolidated collateralized financing entity” (ASU2014-13), an update to Topic 810 – Consolidation. The amendments in this Update provide two alternative methods for measuring the fair value of a consolidated collateralized financing entity’s financial assets and financial liabilities. The first method requires the fair value of the financial assets and liabilities to be measured using the requirements of ASC Topic 820, Fair Value Measurements and Disclosures, with any differences between the fair value of the financial assets and financial liabilities being attributed to the consolidated collateralized financing entity and reflected in earnings in the consolidated statement of income. The alternative method requires measuring both the financial assets and financial liabilities using the more observable of the fair value of the assets or liabilities. The alternative method would also take into consideration the carrying value of any beneficial interests of the consolidated collateralized financing entity held by the parent, including those representing compensation for services, and the carrying value of any nonfinancial assets held temporarily. Accounting Standards Update No. 2014-13 is effective for interim and annual reporting periods beginning after December 15, 2015. Adoption of this ASU will not have a material effect on our financial statements.

***Determining whether the host contract in a hybrid financial instrument issued in the form of a share is more akin to debt or to equity***

In November 2014, the FASB issued Accounting Standards Update No. 2014-16, “Determining whether the host contract in a hybrid financial instrument issued in the form of a share is more akin to debt or to equity” (ASU2014-16), an update to Topic 815 – Derivatives and hedging. The ASU requires an entity to evaluate the economic characteristics and risks of an entire hybrid financial instrument issued in the form of a share (which includes the embedded derivative feature) in order to determine whether the nature of the host contract is more akin to debt or equity. Further, the ASU also clarifies that no single term or feature would necessarily determine the economic characteristics and risks of the host contract. Accordingly, an entity should use judgment based on an evaluation of all the relevant terms and features. Accounting Standards Update No. 2014-16 is effective for interim and annual reporting periods beginning after December 15, 2015. We are in the process of evaluating the impact of adopting this statement.

***Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)***

In May 2015, the FASB issued Accounting Standards Update No. 2015-07, “Disclosures for investments in certain entities that calculate net asset value per share (or its equivalent)” (ASU 2015-07), an update to ASC Topic 820 – Fair value measurement. The amendments in this update remove the current requirement to categorize investments for which fair value is measured using the net asset value per share practical expedient within the fair value hierarchy and in case an entity has elected the practical expedient, changes the scope of certain disclosure requirements related to those investments. Accounting Standards Update No. 2015-07 is effective for interim and annual reporting periods beginning after December 15, 2015. We are in the process of evaluating the impact of adopting this statement.

***Recognition and measurement of financial assets and financial liabilities***

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01), an update to ASC Topic 825 – Financial Instruments – Overall. The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. Accounting Standards Update No. 2016-01 is effective for annual reporting periods beginning after December 15, 2017, and for the interim and annual reporting periods thereafter. We are in the process of evaluating the impact of adopting this statement.

***Leases***

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases” (ASU 2016-02). Accounting Standards Update 2016-02 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. This Update requires all leases to be recognized on the balance sheet as lease assets and lease liabilities and both quantitative as well as qualitative disclosures regarding key information about leasing arrangements. Accounting Standards Update No. 2016-02 is effective for annual reporting periods beginning after

December 15, 2018, and for the interim and annual reporting periods thereafter. We are in the process of evaluating the impact of adopting this statement.

***Extinguishments of liabilities***

In March 2016, the FASB issued Accounting Standards Update No. 2016-04, “Liabilities—Extinguishments of liabilities (Subtopic 405-20)” (ASU 2016-04), an update to Topic 405- Liabilities. The amendments in this Update contain specific guidance for de-recognition of prepaid stored-value product liabilities. Accounting Standards Update No. 2016-04 is effective for interim and annual reporting periods beginning after December 15, 2017. We are in the process of evaluating the impact of adopting this statement.

***Derivatives and hedging: Effect of derivative contract novations on existing hedge accounting relationships***

In March 2016, the FASB issued Accounting Standards Update No. 2016-05, “Derivatives and hedging (Topic 815) Effect of derivative contract novations on existing hedge accounting relationships” (ASU 2016-05), an update to Topic 815- Derivatives and hedging. The amendments in this Update clarify that where there is a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815, does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. Accounting Standards Update No. 2016-05 is effective for interim and annual reporting periods beginning after December 15, 2016. We are in the process of evaluating the impact of adopting this statement.



***Derivatives and hedging: Contingent put and call options in debt instruments***

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, “Derivatives and hedging (Topic 815) Contingent put and call options in debt instruments” (ASU 2016-06), an update to Topic 815- Derivatives and hedging. The amendments in this Update clarify the steps required to be performed, when assessing the economic characteristics and risks of call (put) options that are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Accounting Standards Update No. 2016-06 is effective for interim and annual reporting periods beginning after December 15, 2016. We are in the process of evaluating the impact of adopting this statement.

***Simplifying the transition to the equity method of accounting***

In March 2016, the FASB issued Accounting Standards Update No. 2016-07, “Simplifying the transition to the equity method of accounting” (ASU 2016-07), an update to ASC Topic 323 – Investments—Equity Method and Joint Ventures. The amendment in this Update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. Further, this Update requires that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss accumulated in other comprehensive income at the date the investment becomes qualified for use of the equity method. Accounting Standards Update No. 2016-07 is effective for interim and annual reporting periods beginning after December 15, 2016. We are in the process of evaluating the impact of adopting this statement.

***Compensation—Stock compensation***

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, “Compensation—Stock compensation” (ASU 2016-09). This Update involves simplification of several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Accounting Standards Update No.2016-09 is effective for annual reporting periods beginning after December 15, 2016, and for the interim and annual reporting periods thereafter. We are in the process of evaluating the impact of adopting this statement.

***Financial Instruments—Credit Losses***

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, “Financial Instruments—Credit Losses” (ASU 2016-13). The amendments in this Update eliminate the probable initial recognition threshold in current GAAP with respect to assets measured at amortized cost and, instead, reflect an entity’s current estimate of all expected credit losses. When credit losses were measured under current GAAP, an entity generally only considered past events and current conditions in measuring the incurred loss. The amendments in this Update broaden the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. Further, credit losses on available-for-sale debt securities should be measured in a manner similar to current GAAP. However, the amendments in this Update require that credit losses be presented as an allowance rather than as a write-down. Accounting Standards Update No. 2016-13 is effective for annual reporting periods beginning after December 15, 2019 and for the interim and annual reporting periods thereafter. We are in the process of evaluating the impact of adopting this statement.

### *Convergence of Indian accounting standards with International Financial Reporting Standards*

The financial statements and other financial information included in this annual report are based on our unconsolidated and consolidated financial statements under Indian GAAP. The Institute of Chartered Accountants of India issued Ind AS (a revised set of accounting standards) which converges the Indian accounting standards with International Financial Reporting Standards. The Ministry of Corporate Affairs which is the law making authority for adoption of accounting standards in India has notified these Ind AS for adoption. The ministry had issued a roadmap for transition to Ind AS by Indian companies (excluding banking companies, non-banking finance companies and insurance companies) in a phased manner starting from April 1, 2016.

During fiscal 2016, the ministry, in consultation with respective regulators, has notified April 1, 2018 as the date of transition to Ind AS for banking and insurance companies and in a phased manner from April 1, 2018 for non-banking finance companies. Accordingly, ICICI Group would adopt Ind AS from April 1, 2018. Financial statements prepared under standards different than the existing GAAP may diverge significantly from the financial statements and other financial information included in this annual report.

## Management

### Directors and Executive Officers

Our Board of Directors, consisting of 13 members at July 28, 2016, is responsible for the management of our business. Our organizational documents provide for a minimum of three directors and a maximum of 21 directors, excluding the government director and the debenture director (defined below), if any. We may, subject to the provisions of our organizational documents and the Companies Act, change the maximum number of directors by a special resolution which has to be approved by our shareholders. A special resolution is considered as approved where the votes cast by members in favor of the resolution are not less than three times the number of the votes, if any, cast against the resolution. In addition, under the Banking Regulation Act 1949, the Reserve Bank of India may require us to convene a meeting of our shareholders for the purposes of appointing new directors to our Board of Directors.

The Banking Regulation Act requires that at least 51% of our directors should have special knowledge or practical experience in banking and areas relevant to banking including accounting, finance, agriculture and small scale industry. All of our directors are professionals with special knowledge of one or more of the above areas. The appointment of the chairman and executive directors requires the approval of the Reserve Bank of India, in addition to the approval of shareholders required for appointment of all directors other than the government director and the debenture director. In classification of directors as independent, we have relied on the declaration of independence provided by the independent directors as prescribed under the Companies Act and placed at the board meeting held on April 29, 2016, applicable Reserve Bank of India guidelines and circulars and legal advice. The Companies Act excludes the government director from the definition of independent director. The Reserve Bank of India has also prescribed 'fit and proper' criteria to be considered while appointing persons as directors of banking companies. Our directors (other than the government director) are required to make declarations confirming their ongoing compliance of the 'fit and proper' criteria. Our Board Governance, Remuneration and Nomination Committee/Board of Directors has reviewed the declarations received from the directors in this regard and determined that all our directors satisfy the 'fit and proper' criteria. Further, pursuant to the Reserve Bank of India guidelines, a person is eligible for appointment as director if he or she is between 35 and 70 years of age.

Our organizational documents also provide that we may execute trust deeds in respect of our debentures under which the trustee or trustees may appoint a director, known as the debenture director. The debenture director is not subject to retirement by rotation and may only be removed as provided in the relevant trust deed. Currently, there is no debenture director on our Board of Directors.

Of our 13 directors, five directors are in our whole-time employment or executive directors, one is a government director and the remaining seven directors are independent directors. Mr. Alok Tandon is presently the government nominee director on our Board. Of the seven independent directors, Mr. M. K. Sharma is the Chairman of our Board and the others are company/corporate executives, retired company executives, advisors and chartered accountants. Of the seven independent directors, two have specialized knowledge in respect of agriculture and rural economy or small scale industry.

The Companies Act provides that an independent director shall not hold office for more than two consecutive terms of five years each provided that the director is re-appointed by passing a special resolution on completion of the first term of five consecutive years. To compute the period of five consecutive years, the tenure of every independent director was reckoned afresh from April 1, 2014. Pursuant to the provisions of the Banking Regulation Act, none of the directors other than the Chairman and executive directors may hold office continuously for a period exceeding eight years. The Companies Act also provides that in respect of banking companies, the provisions of the Companies Act shall apply except in so far as they are inconsistent with the provisions of the Banking Regulation Act.

Pursuant to the provisions of the Companies Act, at least two-thirds of the total number of directors (other than independent directors) are subject to retirement by rotation. The government director and the debenture director are not subject to retirement by rotation as per our organizational documents. One-third of the directors liable to retire by rotation must retire from office at each annual meeting of shareholders. A retiring director is eligible for re-election.

Pursuant to the approval granted by the Reserve Bank of India, Mr. M. K. Sharma was appointed as the independent non-executive Chairman of our Board effective July 1, 2015 up to June 30, 2018. The appointment was approved by our shareholders through postal ballot on April 22, 2016.

Ms. Chanda Kochhar was appointed as Executive Director effective April 1, 2001, designated as Deputy Managing Director effective April 29, 2006 and Joint Managing Director and Chief Financial Officer effective October 19, 2007. She was appointed as Managing Director and CEO for a period of five years effective May 1, 2009. The shareholders at the annual general meeting held on June 24, 2013, approved the re-appointment of Ms. Chanda Kochhar for a period of five years effective April 1, 2014 up to March 31, 2019. The Reserve Bank of India has approved the re-appointment of Ms. Chanda Kochhar up to April 30, 2017.

Mr. N. S. Kannan was appointed as Executive Director, for a period of five years, effective May 1, 2009. The shareholders at the annual general meeting held on June 24, 2013 approved the re-appointment of Mr. N. S. Kannan for a period of five years effective May 1, 2014 up to April 30, 2019. The Reserve Bank of India has approved the re-appointment of Mr. N. S. Kannan up to April 30, 2017.

Mr. Rajiv Sabharwal was appointed as Executive Director for a period of five years effective June 24, 2010. The shareholders at the annual general meeting of the Bank held on June 30, 2014 approved the re-appointment of Mr. Rajiv Sabharwal for a period of five years effective June 24, 2015 until June 23, 2020. The Reserve Bank of India has approved the re-appointment of Mr. Rajiv Sabharwal until June 23, 2018.

The Board of Directors at its meeting held on November 16, 2015 appointed Ms. Vishakha Mulye as Executive Director for a period of five years effective from the date of receipt of the Reserve Bank of India approval. Pursuant to approval granted by the Reserve Bank of India, Ms. Vishakha Mulye was appointed as an Executive Director on the Board of the Bank effective January 19, 2016 for a period of three years. Our shareholders through postal ballot on April 22, 2016 approved the appointment of Ms. Vishakha Mulye for a period of five years effective January 19, 2016 up to January 18, 2021.

The Board of Directors at its meeting held on April 29, 2016 and the shareholders at the annual general meeting held on July 11, 2016 have approved the appointment of Mr. Vijay Chandok as executive director for a period of five years effective from the date of receipt of approval of the Reserve Bank of India. Reserve Bank of India has granted its approval through its letter dated July 28, 2016 and has approved the appointment of Vijay Chandok for a period of three years effective from July 28, 2016.

Mr. K. Ramkumar, Executive Director stepped down from his position as Executive Director effective April 30, 2016 after opting for early retirement to pursue other interests.

Our Board of Directors had the following members at July 28, 2016:

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at July 28, 2016 <b>Non Executive Chairman</b>
Mr. Mahendra Kumar Sharma Independent Non-Executive Chairman	69	July 1, 2015  (Date of appointment as non-executive Chairman)	United Spirits Limited
			<b>Director</b>
			Blue Star Limited
			Asian Paints Limited
			Wipro Limited
			Atria Convergence Technologies Private Limited
			Gwalior Webbing Company Private Limited
			East India Investment Company Private Limited
			Cello Writing Aids Private Limited
			Cello Plastic Products Private Limited
Cello Pens Private Limited			
<b>Member – Executive Board</b>			
Indian School of Business			
<b>Member – Board of Governors</b>			
The Anglo Scottish Education Society Ltd.			
Mr. Dileep Choksi Independent Non-Executive Director <b>Profession:</b> Advisor	66	April 26, 2013	<b>Director</b> Arvind Limited
			AIA Engineering Limited
			Lupin Limited Mafatlal Cipherspace Private Limited

Mr. Homi Khusrookhan  
Independent Non-Executive  
Director 72 January 21, 2010  
**Profession:** Advisor

Mr. Alok Tandon  
Nominee Director 53 June 6, 2014  
**Profession:** Government  
Service

Swaraj Engines Limited

Tata Housing Development Company  
Limited

Hexaware Technologies Limited

Miramac Properties Private Limited

ICICI Home Finance Company Limited

**Director**

Amanta Healthcare Limited

Fulford (India) Limited

Novalead Pharma Private Limited

Samson Maritime Limited

**Member – Board of Governors**

The Anglo Scottish Education Society Ltd

**Chairman-cum-Managing Director**

Agricultural Insurance Corporation of  
India

**Director**

IFCI Limited

National Housing Bank

United India Insurance Company Limited

Management Development Institute,  
Gurgaon



Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at July 28, 2016
Mr. M. S. Ramachandran Independent Non-Executive Director <b>Profession:</b> Advisor	71	April 25, 2009	<p><b>Director</b> Ester Industries Limited</p> <p>GOCL Corporation Ltd (Formerly Gulf Oil Corporation Ltd.)</p> <p>Gulf Oil Lubricants India Limited Houghton International Inc. (U.S.A.) Infrastructure India Plc (ISLE of MAN) Supreme Petrochem Limited International Paper APPM Limited</p> <p>ICICI Prudential Life Insurance Company Limited</p> <p><b>Director</b></p>
Dr. Tushaar Shah Independent Non-Executive Director <b>Profession:</b> Advisor	64	May 3, 2010	<p>Niti Shala Foundation</p> <p><b>Member of Board of Governors</b></p> <p>DSC Foundation</p> <p><b>Managing Director</b></p> <p>Life Insurance Corporation of India</p> <p><b>Director</b></p>
Mr. V. K. Sharma Independent Non-Executive Director <b>Profession:</b> Managing Director, Life Insurance Corporation of India	57	March 6, 2014	<p>ACC Limited</p> <p>Infrastructure Leasing &amp; Financial Services Limited</p> <p>LIC Pension Fund Limited</p> <p>Life (International) B.S.C Bahrain</p> <p>Life Insurance Corporation (LIC) of Bangladesh Limited</p>
Mr. V. Sridar Independent Non-Executive Director <b>Profession:</b> Advisor	69	January 21, 2010	<p><b>Director</b> Aadhar Housing Finance Limited Cent Bank Home Finance Limited ICICI Prudential Life Insurance Company Limited</p>

IDFC AMC Trustee Company Limited  
Ponni Sugars (Erode) Limited  
Seshasayee Paper & Boards Limited

**Chairperson**

ICICI Bank UK Plc  
ICICI Bank Canada  
ICICI Prudential Life Insurance Company  
Limited  
ICICI Lombard General Insurance Company  
Limited  
ICICI Prudential Asset Management Company  
Limited  
ICICI Securities Limited

**Director**

Catalyst

**Member-Board of Directors**

Institute of International Finance, Inc

**Member-Executive Board**

Indian School of Business

Ms. Chanda Kochhar  
Managing Director and CEO  
**Profession:** Company Executive

54 April 1, 2001

Name, designation and profession	Age	Date of first Appointment	Particulars of other Directorship(s) at July 28, 2016
Mr. N. S. Kannan Executive Director <b>Profession:</b> Company Executive	51	May 1, 2009	<b>Chairman</b> ICICI Securities Primary Dealership Limited <b>Director</b> ICICI Bank UK Plc ICICI Bank Canada ICICI Prudential Life Insurance Company Limited ICICI Lombard General Insurance Company Limited ICICI Prudential Asset Management Company Limited
Ms. Vishakha Mulye Executive Director <b>Profession:</b> Company Executive	47	January 19, 2016	<b>Director</b> ICICI Securities Primary Dealership Limited ICICI Securities Limited
Mr. Rajiv Sabharwal Executive Director <b>Profession:</b> Company Executive	50	June 24, 2010	<b>Chairman</b> ICICI Home Finance Company Limited
Mr. Vijay Chandok Executive Director <b>Profession:</b> Company Executive	48	July 28, 2016	<b>Chairman</b> ICICI Investment Management Company Limited <b>Director</b> ICICI Bank UK Plc ICICI Bank Canada ICICI Lombard General Insurance Company Limited

Our executive officers at July 29, 2016 were as follows:

Name	Age	Designation and Responsibilities	Years of work experience	Total remuneration in fiscal 2016 <sup>(1)</sup> (in Rupees)	Bonus for fiscal 2016 (in Rupees)	Stock options granted for fiscal 2015	Stock options granted for fiscal 2016 <sup>(2,3)</sup>	Total stock options granted through June 30, 2016 <sup>(3)</sup>	Total stock options outstanding at June 30, 2016 <sup>(4)</sup>	Shareholding at July 1, 2016 <sup>(5)</sup>
Ms. Chanda Kochhar	54	Managing Director and CEO	32	47,964,201	-	1,450,000	3,475,000	16,950,000	14,058,000	2,336,625
Mr. N. S. Kannan	51	Executive Director	28	33,200,973	-	725,000	1,685,000	7,397,000	6,085,000	426,125
Ms. Vishakha Mulye	47	Executive Director	23	10,544,281	-	-	685,000	4,364,875	3,310,000	514,458
Mr. Rajiv Sabharwal	50	Executive Director	26	32,596,623	-	655,000	1,685,000	5,990,000	5,045,500	274,500

Edgar Filing: ICICI BANK LTD - Form 20-F

Mr. Vijay Chandok	48	Executive Director	25	33,654,200	-	420,000	1,195,000	5,595,500	4,833,700	49,025
Mr. Rakesh Jha	44	CFO	20	22,887,555	-	290,000	710,500	3,693,750	2,850,500	13,500

Includes salary and other benefits and ICICI Bank's contribution to superannuation fund, provident and gratuity fund paid for fiscal 2016 and excludes the deferred component of bonus for fiscal 2012, fiscal 2013 and fiscal 2014 which were paid in fiscal 2016.

(2) Stock options to executive directors are subject to approval of the Reserve Bank of India.

Includes special grant of stock options approved by the Reserve Bank of India on November 2015 aggregating to 2,100,000 for Chanda Kochhar and 1,000,000 each for N.S. Kannan and Rajiv Sabharwal. Special grant of stock options aggregating to 700,000 and 435,000 were made to Mr. Vijay Chandok and to Mr. Rakesh Jha, respectively.

(4) The shares-linked instruments (ESOPs) are at a face value of Rs. 2 each.

Each stock option, once exercised, is equivalent to one equity share of ICICI Bank. ICICI Bank granted these stock options to its executive officers at no cost. See "*—Compensation and Benefits to Directors and Officers—Employee Stock Option Scheme*" for a description of the other terms of these stock options.

(6) Executive officers and directors (including non-executive directors) as a group held about 0.06% of ICICI Bank's equity shares as of this date.

*Ms. Chanda Kochhar* has a post-graduate degree in management from Jamnalal Bajaj Institute of Management Studies, Mumbai and a degree in cost and works accountancy from the Institute of Cost and Works Accountants of India. She started her career in 1984 with ICICI in its project finance department and has worked in the areas of corporate banking, infrastructure financing, e-commerce, strategy, retail banking, international banking and finance. She was appointed to our Board as an Executive Director in April 2001. Our Board designated her as Deputy Managing Director effective April 29, 2006 and as Joint Managing Director and Chief Financial Officer effective October 19, 2007. Effective May 1, 2009 our Board appointed Ms. Chanda Kochhar as Managing Director and CEO.

*Mr. N. S. Kannan* is a graduate in mechanical engineering, a post-graduate in management from the Indian Institute of Management, Bangalore and a chartered financial analyst from the Institute of Chartered Financial Analysts of India. He joined ICICI in 1991. He has worked in the areas of corporate finance, infrastructure finance, structured finance, treasury and life insurance. He was Chief Financial Officer and Treasurer of ICICI Bank from 2003 to 2005 and Executive Director on the board of ICICI Prudential Life Insurance Company from 2005 to 2009. Our Board of Directors appointed him as Executive Director and Chief Financial Officer effective May 1, 2009. Our board re-designated Mr. Kannan as Executive Director, effective October 25, 2013. His responsibilities include finance, treasury, legal, operations, risk management, secretarial, corporate communications, corporate branding and the strategic solutions group. The compliance and internal audit functions have administrative reporting to Mr. Kannan.

*Ms. Vishakha Mulye* is a chartered accountant. She joined the ICICI Group in 1993, and has worked in the areas of strategy, treasury and markets, proprietary equity investing and management of long-term equity investments, structured finance, management of special assets and corporate and project finance. Ms. Mulye was the Group Chief Financial Officer of ICICI Bank from 2005 to 2007, Executive Director on the Board of ICICI Lombard General Insurance Company from 2007 to 2009, and Managing Director and Chief Executive Officer of ICICI Venture Funds Management Company from 2009 to 2015. Pursuant to approval granted by the Reserve Bank of India, Ms. Mulye assumed office as an Executive Director effective January 19, 2016. She is currently responsible for wholesale banking.

*Mr. Rajiv Sabharwal* is a graduate in mechanical engineering and a post-graduate in management from the Indian Institute of Management, Lucknow. He joined ICICI in 1998 and has worked in the areas of credit policy, collections, mortgage finance, consumer loans, rural banking, microfinance and financial inclusion. He left the services of the Bank in December 2008 and rejoined effective April 1, 2010, as Senior General Manager in charge of retail banking. Our Board of Directors appointed him as an Executive Director effective June 24, 2010. He is currently responsible for retail and rural banking.

*Mr. Vijay Chandok* is a post-graduate in management from Narsee Monjee Institute of Management Studies, Mumbai. He joined ICICI in 1993 and has worked in the areas of corporate banking, small enterprises and retail banking. He was designated as Group Executive-International Banking in April 2010 and re-designated as President effective May 10, 2011. Mr. Chandok was appointed as executive director for a period of five years by the shareholders at the annual general meeting held on July 11, 2016 subject to approval of the Reserve Bank of India. The Reserve Bank of India has approved the appointment of Mr. Chandok for a period of three years effective from July 28, 2016. He is responsible for the commercial banking group, small and medium enterprises business and international banking.

*Mr. Rakesh Jha* is an engineering graduate from the Indian Institute of Technology at Delhi and a post-graduate in management from the Indian Institute of Management, Lucknow. He joined ICICI in 1996 and has worked in various areas including planning, strategy, finance and treasury. He was designated the Deputy Chief Financial Officer of ICICI Bank in May 2007 and Chief Financial Officer in October 2013. His responsibilities include financial reporting, planning and strategy and asset-liability management.

#### Corporate Governance

Our corporate governance policies recognize the accountability of the Board and the importance of making the Board transparent to all our constituents, including employees, customers, investors and the regulatory authorities, and for demonstrating that the shareholders are the ultimate beneficiaries of our economic activities.

Our corporate governance framework is based on an effective independent board, the separation of the Board's supervisory role from the executive management and the constitution of Board committees, generally comprising a majority of independent directors and most of the Committees being chaired by independent directors, to oversee critical areas and functions of executive management.

Our corporate governance philosophy encompasses regulatory and legal requirements, such as the compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

Our Board's role, functions, responsibility and accountability are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of our Board include:

- approving corporate philosophy and mission;
- participating in the formulation of strategic and business plans;
- reviewing and approving financial plans and budgets;
- monitoring corporate performance against strategic and business plans, including overseeing operations;
- ensuring ethical behavior and compliance with laws and regulations;
- reviewing and approving borrowing limits;
- formulating exposure limits; and
- keeping shareholders informed regarding plans, strategies and performance.

To enable our Board of Directors to discharge these responsibilities effectively, executive management provides detailed reports on its performance to the Board on a quarterly basis.

Our Board functions either as a full board or through various committees constituted to oversee specific operational areas. These Board committees meet regularly. The constitution and main functions of the various committees are given below.

#### Audit Committee

As of the date of filing this annual report, the Audit Committee comprises four independent directors- Mr. Homi Khusrokhana, Mr. Dileep Choksi, Mr. M. S. Ramachandran and Mr. V. Sridar. The Audit Committee is chaired by Mr. Homi Khusrokhana, an Independent Director. Mr. Dileep Choksi, an independent director, is the alternate Chairman. Mr. Homi Khusrokhana, Mr. Dileep Choksi and Mr. V. Sridar are chartered accountants. Our Board of Directors has also determined that Mr. Dileep Choksi qualifies as an Audit Committee financial expert.

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit. The responsibilities of the Audit Committee include examining the financial statements and auditor's report and overseeing the financial reporting process to ensure fairness, sufficiency and credibility of financial statements, recommendation of appointments, terms of appointment and removal of central and branch statutory auditors and chief internal auditor and fixation of their remuneration, approval of payment to statutory auditors for other permitted services rendered by them, review and monitor with the management the auditor's independence, performance and effectiveness of audit process, review of functioning of whistle blower policy, review of the quarterly and annual financial statements before submission to the Board, review of the adequacy of internal control systems and the internal audit function, review of compliance with inspection and audit reports and reports of statutory auditors, review of the findings of internal investigations, approval of transactions with related parties or any subsequent modifications, review of statement of significant related party transactions, review of management letters/letters on internal control weaknesses issued by statutory auditors, reviewing with the management the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue and making appropriate recommendations to the Board to take steps in this matter, discussion on the scope of audit with external auditors and examination of reasons for substantial defaults, if any, in payment to stakeholders, valuation of undertakings or assets, evaluation of risk managements systems, scrutiny of inter-corporate loans and investments. The Audit Committee is also empowered to appoint/oversee the work of any registered public accounting firm, establish procedures for receipt and treatment of complaints received regarding accounting and auditing matters and engage independent counsel and also provide for appropriate funding for compensation to be paid to any firm/advisors. In addition,



the Audit Committee also exercises oversight on the regulatory compliance function of the Bank. The Audit Committee is also empowered to approve the appointment of the Chief Financial Officer (i.e., the whole-time finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background etc. of the candidate.

All significant audit and non-audit services to be provided by our principal accountants are pre-approved by the Audit Committee before such services are provided to us.

#### Board Governance, Remuneration & Nomination Committee

As of the date of filing this annual report, the Board Governance, Remuneration and Nomination Committee comprises three independent directors— Mr. Homi Khusrokhhan, Mr. M. K. Sharma, and Mr. M. S. Ramachandran. Mr. Homi Khusrokhhan, an independent director, is the Chairman of the Committee.

The functions of the Committee include recommending appointments of directors to the Board, identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommending to the Board their appointment and removal, formulating criteria for the evaluation of the performance of the wholetime and independent directors and the Board and to extending or continuing the term of appointment of independent directors on the basis of the report of performance evaluation of independent directors, recommending to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees, recommending to the Board the remuneration (including performance bonus and perquisites) to wholetime directors, commission and fee payable to non-executive Directors subject to applicable regulations, policy for and quantum of bonus payable to the members of the staff including senior management and key managerial personnel, formulating the criteria for determining qualifications, positive attributes and independence of a director, framing policy on Board diversity, framing guidelines for the Employees Stock Option Scheme and recommending the grant of the Bank's stock options to employees and wholetime directors of the Bank and its subsidiary companies.

#### Corporate Social Responsibility Committee

As of the date of filing this annual report, the Corporate Social Responsibility Committee comprises four directors—Mr. M. S. Ramachandran, Dr. Tushaar Shah, Mr. Alok Tandon and Ms. Chanda Kochhar. Mr. M. S. Ramachandran, an independent director, is the Chairman of the Committee.

The functions of the Committee include review of corporate social responsibility initiatives undertaken by the ICICI Group and the ICICI Foundation for Inclusive Growth, formulation and recommendation to the Board of a corporate

social responsibility policy indicating the activities to be undertaken by the company and recommendation of the amount of the expenditure to be incurred on such activities, reviewing and recommending the annual corporate social responsibility plan to the Board, making recommendations to the Board with respect to the corporate social responsibility initiatives, policies and practices of the ICICI Group, monitoring the corporate social responsibility activities, implementation and compliance with the corporate social responsibility policy and reviewing and implementing, if required, any other matter related to corporate social responsibility initiatives as recommended/suggested by the Reserve Bank of India or any other body.

#### Credit Committee

As of the date of filing this annual report, the Credit Committee comprises three directors—Mr. Homi Khusrookhan, Mr. M. S. Ramachandran and Ms. Chanda Kochhar. Ms. Chanda Kochhar, Managing Director & CEO, is the Chairperson of the Committee.

The functions of the Committee include review of developments in key industrial sectors, major credit portfolios and approval of credit proposals as per the authorization approved by the Board.

#### Customer Service Committee

As of the date of filing this annual report, the Customer Service Committee comprises four directors—Mr. M. S. Ramachandran, Mr. V. Sridar, Mr. Alok Tandon and Ms. Chanda Kochhar. Mr. M. S. Ramachandran, an independent director, is the Chairman of the Committee.

The functions of the Committee include review of customer service initiatives, overseeing the functioning of the Customer Service Council and evolving innovative measures for enhancing the quality of customer service and improvement in the overall satisfaction level of customers.

### Fraud Monitoring Committee

As of the date of filing this annual report, the Fraud Monitoring Committee comprises six directors—Mr. V. Sridar, Mr. Dileep Choksi, Mr. Homi Khusrokhana, Mr. V. K. Sharma, Ms. Chanda Kochhar and Mr. Rajiv Sabharwal. Mr. V. Sridar, an independent director, is the Chairman of the Committee.

The Committee monitors and reviews all the frauds involving an amount of Rs. 10.0 million and above with the objective of identifying the systemic lacunae, if any, that facilitated perpetration of the fraud and to put in place measures to rectify the same. The functions of this Committee include identifying the reasons for delay in detection, if any, and reporting to top management of the Bank and the Reserve Bank of India on the same. The progress of investigations and recovery positions is also monitored by the Committee. The Committee also ensures that staff accountability is examined at all levels in all the cases of frauds and action, if required, is completed quickly without loss of time. The role of the Committee is also to review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls and putting in place other measures as may be considered relevant to strengthen preventive measures against frauds.

### Information Technology Strategy Committee

As of the date of filing this annual report, the Information Technology Strategy Committee comprises three directors—Mr. Homi Khusrokhana, Mr. V. Sridar and Ms. Chanda Kochhar. Mr. Homi Khusrokhana, an independent director, is the Chairman of the Committee.

The functions of the Committee are to approve strategy for information technology and policy documents, ensure that information technology strategy is aligned with business strategy, review information technology risks, ensure proper balance of information technology investments for sustaining our growth, oversee the aggregate funding of information technology at a Bank-level, ascertain if the management has resources to ensure the proper management of information technology risks and review contribution of information technology to our business.

### Risk Committee

As of the date of filing this annual report, the Risk Committee comprises seven directors—Mr. M. K. Sharma, Mr. Dileep Choksi, Mr. Homi Khusrokhana, Mr. V. K. Sharma, Mr. V. Sridar, Mr. Alok Tandon and Ms. Chanda Kochhar. Mr. M. K. Sharma, an independent director, is the Chairman of the Committee.

The functions of the Committee are to review our risk management policies pertaining to credit, market, liquidity, operational, outsourcing, reputation risks and business continuity plan and disaster recovery plans. The functions of the Committee also include review of the Enterprise Risk Management framework, risk appetite framework, stress testing framework, Internal Capital Adequacy Assessment Process and framework for capital allocation, review of the status of Basel II and Basel III implementation, our risk return profile, risk dashboard covering various risks, outsourcing activities and the activities of the Asset Liability Management Committee. The Committee also has oversight on risks of subsidiaries covered under the Group Risk Management Framework.

#### Stakeholders Relationship Committee

As of the date of filing this annual report, the Stakeholders' Relationship Committee comprises three directors—Mr. Homi Khusrokhhan, Mr. V. Sridar, and Mr. N. S. Kannan. Mr. Homi Khusrokhhan, an independent director, is the Chairman of the Committee.

The functions and powers of the Committee include approval and rejection of transfer or transmission of equity shares, preference shares, bonds, debentures and securities, issue of duplicate certificates, allotment of shares and securities issued from time to time, review redressal and resolution of grievances of shareholders, debenture holders and other security holders, delegation of authority for opening and operation of bank accounts for payment of interest, dividend and redemption of securities and the listing of securities on stock exchanges.

#### Review Committee for Identification of Wilful Defaulters/Non Co-operative Borrowers

The Managing Director & CEO is the Chairperson of this Committee and any two independent directors comprise the remaining members.

The function of this Committee is to review the order of the Committee for identification of wilful defaulters /non-cooperative borrowers (a Committee comprising wholetime directors and senior executives of the Bank to examine the facts and record the fact of the borrower being a wilful defaulter/non-cooperative borrower) and confirm the same for the order to be considered final.

#### Code of Ethics

We have adopted a Group Code of Business Conduct and Ethics for our directors and all our employees. This code aims at ensuring consistent standards of conduct and ethical business practices across the constituents of the Company and is reviewed on an annual basis. We have not granted a waiver from any provision of the code to any of our directors or executive officers.

#### Principal Accountant: Fees and Services

The total fees to our principal accountant relating to the audit of consolidated financial statements for fiscal 2015 and fiscal 2016 and the fees for other professional services billed in fiscal 2015 and fiscal 2016 are as follows:

	Year ended March 31,		
	2015 (in millions)	2016 (in thousands)	2016 (in thousands)
<b>Audit</b>			
Audit of ICICI Bank Limited and our subsidiaries	Rs.260	Rs.270	US\$ 4,081
Audit-related services			
Opinion on non-statutory accounts presented in Indian Rupees	8	10	144
Others	10	14	217
Sub-total	278	294	4,442
<b>Non-audit services</b>			
Tax services	—	—	—
Tax compliance	5	4	64
Other services	1	3	42
Sub-total	6	7	106
<b>Total</b>	<b>Rs.284</b>	<b>Rs.301</b>	<b>US \$4,548</b>

Fees for “other services” under the non-audit services category are principally fees related to advisory and certification services. Our Audit Committee approved the fees paid to our principal accountant relating to audit of consolidated financial statements for fiscal 2016 and fees for other professional services billed in fiscal 2016. Our Audit Committee pre-approves all significant assignments undertaken for us by our principal accountant.

## Summary Comparison of Corporate Governance Practices

The following is a summary comparison of significant differences between our corporate governance practices and those required by the New York Stock Exchange for United States issuers.

*Independent Directors.* A majority of our Board are independent directors, as defined under applicable Indian legal requirements. Section 149 of the Companies Act notified effective April 1, 2014 has defined an independent director and specified the eligibility criteria for a director to be classified as independent. The criteria include that a director in order to be independent should not have any pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year. Exemptions have been prescribed for certain transactions which may be in the ordinary course of business and at arm's length. As per the Companies Act, every independent director at the first meeting of the Board in which he/she participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his/her independent status is required to give a declaration that he/she meets the relevant criteria. In classification of the directors as independent, we have relied on the declarations provided by the directors as prescribed under the Companies Act and placed at the board meeting held on April 29, 2016, applicable Reserve Bank of India guidelines and circulars and legal advice obtained in this regard. The Board

has accordingly determined the independence of these directors. Pursuant to the Companies Act, the director nominated by Government of India would not be classified as independent. Although the judgment on independence must be made by our Board as required under the Companies Act, there is no requirement that our Board affirmatively make such determination, in accordance with the independence test as required by the New York Stock Exchange rules.

*Non-Management Directors Meetings.* The Companies Act requires independent directors to meet at least once a year without the non-independent directors and members of the management. The independent directors at such meetings are required to review the performance of the Chairman, non-independent directors and the Board as a whole. The independent directors met on April 29, 2016 to carry out these reviews. Prior to this, the independent directors had met separately before the Board meeting held on September 16, 2015.

*Board Governance, Remuneration and Nomination Committee and Audit Committee.* All members of our Board Governance, Remuneration and Nomination Committee are independent, as defined under applicable Indian legal requirements. All members of our Audit Committee are independent under Rule 10A-3 under the Exchange Act. The constitution and main functions of these committees as approved by our Board are described above and comply with the spirit of the New York Stock Exchange requirements for United States issuers.

*Corporate Governance Guidelines.* Under New York Stock Exchange rules, United States issuers are required to adopt and disclose corporate governance guidelines addressing matters such as standards of director qualification, responsibilities of directors, director compensation, director orientation and continuing education, management succession and annual performance review of the board of directors. While as a foreign private issuer, we are not required to adopt such guidelines, under the home country regulations, pursuant to the notification of the Companies Act, the Bank has disclosed the policy on director appointments and remuneration including criteria for determining qualifications and independence of a director in its Indian annual report to shareholders for fiscal 2016. The Bank is also required to provide a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors and this statement has been included in the Indian annual report.

## Compensation and Benefits to Directors and Officers

### Remuneration

Under our organizational documents, each non-executive director, except the government director, is entitled to receive remuneration for attending each meeting of our Board or of a Board committee. The amount of remuneration payable to non-executive directors is set by our Board from time to time in accordance with limits prescribed by the Companies Act and the rules thereunder. The Board of Directors has approved the payment of Rs. 100,000 as sitting fee for each meeting of the Board and Rs. 20,000 as sitting fee for each meeting of a Committee. The Reserve Bank of

India through its guidelines dated June 1, 2015 regarding Compensation of Non-executive Directors (except part-time Chairman) of Private Sector Banks has permitted the payment of profit-related commission up to Rs. 1,000,000 per annum for non-executive directors (other than non-executive part-time Chairman). Our shareholders at the annual general meeting held on July 11, 2016 have approved the payment of profit-related commission up to Rs. 1,000,000 per annum to non-executive directors (excluding non-executive part-time Chairman and the Government Nominee Director). In addition, we reimburse directors for travel and related expenses in connection with Board and Committee meetings and related matters. If a director is required to perform services for us beyond attending meetings, we may remunerate the director as determined by our Board of Directors and this remuneration may be either in addition to or as substitution for the remuneration discussed above. We have not paid any remuneration to non-executive directors other than the remuneration for attending each meeting of our Board or of a Board committee and we propose to pay them a profit-related commission as described above. Non-executive directors are not entitled to the payment of any benefits at the end of their terms of office.

Our Board, at its meeting held on June 9, 2015, approved a remuneration range of Rs. 3,000,000 – Rs. 5,000,000 per annum for Mr. M. K. Sharma, with the remuneration for each year to be determined by the Board within this range. The Board also approved remuneration of Rs. 3,000,000 per annum effective July 1, 2015 to be paid to Mr. Sharma for the first year of his tenure. The Reserve Bank of India while approving the appointment of Mr. Sharma for the period July 1, 2015 to June 30, 2018 also approved the above remuneration.

Our Board or any committee thereof may fix, within the range approved by the shareholders, the salary and supplementary allowance payable to the executive directors. We are required to obtain specific approval of the



Reserve Bank of India for the actual monthly salary, supplementary allowance and annual performance bonus paid each year to the executive directors.

The following table sets forth the currently applicable monthly salary ranges:

Name and Designation	Monthly Salary Range (Rs.)
Ms. Chanda Kochhar, Managing Director and CEO	1,350,000 – 2,600,000 (US\$ 20,377 – US\$ 39,245)
Mr. N. S. Kannan, Executive Director	950,000 – 1,700,000 (US\$ 14,340 – US\$ 25,660)
Ms. Vishakha Mulye, Executive Director	950,000 – 1,700,000 (US\$ 14,340 – US\$ 25,660)
Mr. Rajiv Sabharwal, Executive Director	900,000 – 1,600,000 (US\$ 13,585 – US\$ 24,151)

The monthly supplementary allowance range for the Managing Director and CEO is Rs 1,000,000 – Rs. 1,800,000, for N. S. Kannan, Executive Director and Vishakha Mulye, Executive Director is Rs. 675,000 - Rs 1,225,000 and for Rajiv Sabharwal, Executive Director is Rs. 650,000 – Rs. 1,200,000. The Board will determine the actual remuneration/supplementary allowance payable within the above ranges from time to time subject to the approval of the Reserve Bank of India.

The executive directors are entitled to perquisites (evaluated pursuant to Indian income-tax rules wherever applicable and otherwise at actual cost to the Bank) such as the benefit of the Bank’s furnished accommodation, gas, electricity, water and furnishings, club fees, group insurance, use of car and telephone at residence or reimbursement of expenses in lieu thereof, medical reimbursement, leave and leave travel concession, education benefits, provident fund, superannuation fund and gratuity, in accordance with the scheme(s) and rule(s) applicable from time to time.

In line with the staff loan policy applicable to specified grades of employees who fulfill prescribed eligibility criteria to avail loans for purchase of residential property, the executive directors are also eligible for housing loans subject to the approval of the Reserve Bank of India.

There are no service contracts with our executive directors providing for benefits upon termination of their employment.

The total compensation paid by ICICI Bank to its executive directors and executive officers during fiscal 2016 was Rs. 249.2 million.

Bonus

Each year, our Board of Directors awards discretionary bonuses to employees and executive directors on the basis of performance and seniority. The performance of each employee is evaluated through a performance management appraisal system. The aggregate amount of bonuses to all eligible employees of ICICI Bank for fiscal 2016 was Rs. 3.8 billion. This amount was paid in fiscal 2017. Our executive directors and other executive officers did not receive a performance bonus for fiscal 2016.

#### Employee Stock Option Scheme

ICICI Bank has an employee stock option scheme to encourage and retain high-performing employees. Pursuant to the stock option scheme as amended, up to 10.0% of the aggregate of issued equity shares at the time of the grant of stock options could be allocated under the employee stock option scheme. At year-end fiscal 2016, against the limit of 10.0% of issued shares, equivalent to 581.5 million shares, we had granted about 423.6 million options under the employee stock option scheme. Employees and directors of ICICI Bank, its subsidiaries and its holding company are eligible employees for grants of stock options. ICICI Bank has no holding company. The maximum number of options granted to any eligible employee in a year is restricted to 0.05% of the Bank's issued equity shares at the time of the grant.

Options granted after April 1, 2014 vest in a graded manner over a three-year period, with 30%, 30% and 40% of the grant vesting in each year, commencing from the end of 12 months from the date of the grant, other than the following:

Out of the total options granted in April 2014, 250,000 options will vest in equal proportions on April 30, 2017 and April 30, 2018.

Options granted in September 2015 will vest in equal proportions on April 30, 2018 and April 30, 2019. Any unvested options will lapse on the termination of employment, including due to retirement (whether in the normal course or pursuant to any early/voluntary retirement scheme).

Options granted prior to April 1, 2014 vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting in each year commencing from the end of 12 months from the date of grant, other than the following:

Options granted in April 2009 vested in a graded manner over a five-year period with 20%, 20%, 30% and 30% of the grant vesting in each year, commencing from the end of 24 months from the date of the grant.

Out of options granted in February 2011, 50% of the options granted vested on April 30, 2014 and the balance 50% vested on April 30, 2015.

Options granted in September 2011 vest in a graded manner over a five-year period with 15%, 20%, 20% and 45% of the grant vesting in each year, commencing from the end of 24 months from the date of grant.

Till April 21, 2016, options could be exercised within 10 years from the date of grant or five years from the date of vesting, whichever was later. Effective April 22, 2016, options can be exercised within 10 years from the date of vesting. The exercise price for options granted is equal to the closing price on the stock exchange which recorded the highest trading volume preceding the date of grant of options. Options granted in February 2011 were granted at an exercise price which was approximately 3.0% below the closing price preceding the date of grant of options.

The following table sets forth certain information regarding the stock option grants ICICI Bank has made under its employee stock option scheme and outstanding at April 28, 2016. ICICI Bank granted all of these stock options at no cost to its employees. Options granted include grants to wholtime directors and employees of subsidiaries of ICICI Bank. ICICI Bank has not granted any stock options to its non-executive directors.

Date of grant	Number of options granted	Exercise price	
April 29, 2006	31,337,000	Rs. 115.36	US\$ 1.74
July 22, 2006	145,000	96.95	1.46
October 24, 2006	392,500	144.11	2.18
January 20, 2007	325,000	197.08	2.97
April 28, 2007	24,101,500	187.03	2.82
July 21, 2007	55,000	197.17	2.98
October 19, 2007	230,000	207.30	3.13
January 19, 2008	200,000	249.77	3.77
March 8, 2008	195,000	178.68	2.70
April 26, 2008	27,975,000	183.13	2.76
July 26, 2008	125,000	131.35	1.98
October 27, 2008	102,500	61.70	0.93
April 25, 2009	8,642,500	86.82	1.31

Edgar Filing: ICICI BANK LTD - Form 20-F

March 6, 2010	12,500	180.35	2.72
April 24, 2010	11,963,000	195.54	2.95
July 31, 2010	220,000	180.98	2.73
October 29, 2010	90,000	217.81	3.29
January 24, 2011	125,000	213.11	3.22
February 7, 2011	15,175,000	193.40	2.92
April 28, 2011	20,093,000	221.37	3.34
July 29, 2011	45,000	203.49	3.07
September 16, 2011	150,000	175.24	2.65
October 31, 2011	15,000	186.67	2.82
April 27, 2012	21,961,000	168.29	2.54
July 27, 2012	15,000	181.35	2.74
October 26, 2012	275,000	217.43	3.28
April 26, 2013	22,073,250	235.47	3.55
January 29, 2014	25,000	203.73	3.08
April 25, 2014	32,350,500	259.91	3.92
October 30, 2014	25,000	321.17	4.85
April 7, 2015	33,627,000	308.25	4.65
July 31, 2015	10,000	291.00	4.39
September 16, 2015	31,249,000	268.90	4.06
January 28, 2016	18,500	237.30	3.58
April 28, 2016	32,528,300	Rs. 244.60	US\$ 3.69

(1) Options granted on April 28, 2016, include options granted to executive directors, which requires the approval of the Reserve Bank of India.

The following table sets forth certain information regarding the options granted by ICICI Bank at April 28, 2016.

Particulars	ICICI Bank
Options granted <sup>(1)</sup> (net of lapsed)	423,619,395
Options vested	329,304,290
Options exercised	200,135,180
Options forfeited/lapsed	61,946,430
Extinguishment or modification of options	-
Amount realized by exercise of options	Rs. 14,716,308,943
Total number of options in force	223,484,215

(1) Includes options granted to executive directors which requires approval of the Reserve Bank of India.

ICICI Prudential Life Insurance Company has an Employee Stock Option Scheme, the terms of which allow up to 3.0% of its issued capital to be allocated to employee stock options. ICICI Prudential Life Insurance Company had last granted options in fiscal 2009. ICICI Prudential Life Insurance Company had 5,999,175 stock options outstanding (net of forfeited or lapsed options) at year-end fiscal 2016.

ICICI Lombard General Insurance Company has an Employee Stock Option Scheme, the terms of which allow up to 5.0% of its paid-up capital to be allocated to employee stock options. ICICI Lombard General Insurance Company had last granted options in fiscal 2012. ICICI Lombard General Insurance Company had 7,004,248 employee stock options outstanding (net of forfeited or lapsed options) at year-end fiscal 2016.

## Loans

ICICI Bank has internal rules for grant of loans to employees and executive directors to acquire certain assets such as property, vehicles and other consumer durables. ICICI Bank's loans to employees have been made at interest rates ranging from 2.5% to 3.5% per annum and are repayable over fixed periods of time. The loans are generally secured by the assets acquired by the employees. Pursuant to the Banking Regulation Act, ICICI Bank's non-executive directors are not eligible for any loans. At year-end fiscal 2016, outstanding loans to ICICI Bank's employees totaled Rs. 8.5 billion compared to Rs. 8.4 billion at year-end fiscal 2015. This amount included loans to certain executive directors amounting to Rs. 52 million at year-ended fiscal 2016 compared to Rs. 37 million at year-end fiscal 2015, made on the same terms, including as to interest rates and collateral, as loans to other employees. Loans to executive directors are made after approval by the Reserve Bank of India. See also "*Operating and Financial Review and Prospects—Related Party Transactions*".

## Gratuity

ICICI Bank pays gratuity to employees who retire or resign after a minimum prescribed period of continuous service and, in the case of employees at overseas locations, in accordance with the rules in force in the respective countries. ICICI Bank makes contributions to gratuity funds for employees which are administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited.

Actuarial valuation of the gratuity liability for all the above funds is determined by an actuary appointed by the Bank. Actuarial valuation of gratuity liability is determined based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

The accounts of the fund are audited by independent auditors. The total corpus of the fund at year-end fiscal 2016 based on its audited financial statements was Rs. 7,093 million compared to Rs. 6,575 million at year-end fiscal 2015.

#### Superannuation Fund

ICICI Bank contributes 15% of the total annual basic salary to a superannuation fund in respect of the employees to whom it applies. ICICI Bank's employees get an option on retirement or resignation to receive one-third or one-half, depending on the tenure of service, of the total balance as commutation and a periodic pension based on the remaining balance. In the event of the death of an employee, his or her beneficiary receives the remaining accumulated balance, if eligible. ICICI Bank also gives a cash option to its employees, allowing them to receive the amount that would otherwise be contributed by ICICI Bank in their monthly salary during their employment. The superannuation fund is being administered by Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. Employees have the option to choose between funds administered by the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited. The total corpus of the superannuation fund was Rs. 2,656 million at year-end fiscal 2016 compared to Rs. 2,557 million at year-end fiscal 2015.

#### Provident Fund

ICICI Bank is statutorily required to maintain a provident fund as part of its retirement benefits to its employees. There are separate provident funds for employees inducted from merged entities (Bank of Madura, The Bank of Rajasthan and Sangli Bank) and for other employees of ICICI Bank. These funds are managed by in-house trustees. Each employee contributes 12.0% of his or her basic salary and ICICI Bank contributes an equal amount to the funds. The investments of the funds are made according to rules prescribed by the government of India. The accounts of the funds are audited by independent auditors. The total corpuses of the funds for employees inducted from merged entities and other employees of ICICI Bank at year-end fiscal 2016, based on their audited financial statements, amount to Rs. 3,501 million and Rs. 16,433 million respectively, as compared to Rs. 3,539 million and Rs. 14,203 million for fiscal 2015.

#### Pension Fund

The Bank provides for pension, a deferred retirement plan covering certain employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. The plan provides for pension payments, including dearness relief, on a monthly

basis to these employees on their retirement based on the respective employee's years of service with the Bank and applicable salary. For the former Bank of Madura, Sangli Bank and Bank of Rajasthan employees in service, funds are managed by the trust and the liability is funded as per actuarial valuation. The trust purchases annuities from the Life Insurance Corporation of India and ICICI Prudential Life Insurance Company Limited as part of its master policies for payment of pension to retired employees of the former Bank of Madura, Sangli Bank and Bank of Rajasthan. Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan. The corpus, based on unaudited financial statements at year-end fiscal 2016 was Rs. 13,098 million compared to Rs. 11,484 million at year-end fiscal 2015.

#### Interest of Management in Certain Transactions

Except as otherwise stated in this annual report, no amount or benefit has been paid or given to any of our directors or executive officers.



## OVERVIEW OF THE INDIAN FINANCIAL SECTOR

### Introduction

The Reserve Bank of India, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- commercial banks;
- long-term lending institutions;
- non-banking finance companies, including housing finance companies;
- other specialized financial institutions, and state-level financial institutions;
- insurance companies; and
- mutual funds.

This discussion presents an overview of the role and activities of the Reserve Bank of India and of each of the major participants in the Indian financial system, with a focus on commercial banks. This is followed by a brief summary of the banking reform process and key reform measures announced or proposed in recent years. Finally, measures announced by the Reserve Bank of India in recent monetary policy statements are briefly reviewed.

### The Reserve Bank of India

The Reserve Bank of India, established in 1935, is the central banking and monetary authority in India. The Reserve Bank of India manages the country's money supply and foreign exchange and also serves as a bank for the government of India and for the country's commercial banks. In addition to the traditional central banking roles, the Reserve Bank of India undertakes certain developmental and promotional roles.

The Reserve Bank of India issued guidelines on exposure limits, income recognition, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy for commercial banks, long-term lending institutions and non-bank finance companies. The Reserve Bank of India requires these institutions to furnish information relating to their businesses to it on a regular basis. For further discussion regarding the Reserve Bank of India's role as the regulatory and supervisory authority of India's financial system and its impact on us, see "*Supervision and Regulation*".

## **Commercial Banks**

Commercial banks in India meet the short-term financial needs, or working capital requirements, of industry, trade and agriculture, provide long-term financing to sectors like infrastructure and provide retail loan products. At March 31, 2016, there were 149 scheduled commercial banks in the country, with a network of 132,587 branches serving approximately Rs. 96.60 trillion in deposit accounts. Scheduled commercial banks are banks that are listed in the second schedule of the Reserve Bank of India Act, 1934, and are further categorized as public sector banks, private sector banks and foreign banks. Scheduled commercial banks have a presence throughout India, with approximately 64.6% of bank branches located in rural or semi-urban areas of the country.

## **Public Sector Banks**

Public sector banks make up the largest category in the Indian banking system. They include the State Bank of India and its five associate banks, 20 nationalized banks and 56 regional rural banks. Excluding the regional rural banks, the remaining public sector banks have 89,921 branches, and accounted for 68.2% of the

outstanding gross bank credit and 70.8% of the aggregate deposits of scheduled commercial banks at March 31, 2016. The State Bank of India is the largest bank in India in terms of total assets. At March 31, 2016, the State Bank of India and its five associate banks had 23,966 branches. They accounted for 22.5% of aggregate deposits and 21.8% of outstanding gross bank credit of all scheduled commercial banks.

Regional rural banks were established from 1976 to 1987 by the central government, state governments and sponsoring commercial banks jointly with a view to develop the rural economy. Regional rural banks provide credit to small farmers, artisans, small entrepreneurs and agricultural laborers. The National Bank for Agriculture and Rural Development is responsible for supervising the functions of the regional rural banks. At March 31, 2016, there were 56 regional rural banks and they had 20,416 branches, and accounted for 3.2% of aggregate deposits and 2.8% of gross bank credit outstanding of scheduled commercial banks.

### **Private Sector Banks**

After the first phase of bank nationalization was completed in 1969, public sector banks made up the largest portion of Indian banking. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the Reserve Bank of India permitted entry of the private sector into the banking system. This resulted in the introduction of private sector banks, including us. These banks are collectively known as the “new” private sector banks. At March 31, 2016, there were eight “new” private sector banks. In April 2014, the Reserve Bank of India issued in-principle licenses to two non-banking finance companies, IDFC Limited and Bandhan Financial Services Private Limited, to set up banks under these guidelines. These banks began operations in fiscal 2016. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 small finance banks and 11 payments banks in the private sector. Of these, one small finance bank has begun operations and three payments banks licensees have surrendered or announced their decision to surrender their licenses. See also “—*Differentiated licenses*”. In addition, 13 old private sector banks existing prior to July 1993 were operating at March 31, 2016.

At March 31, 2016, private sector banks accounted for approximately 21.4% of aggregate deposits and 24.0% of gross bank credit outstanding of the scheduled commercial banks. Their network of 21,926 branches accounted for 16.5% of the total branch network of scheduled commercial banks in the country.

### **Foreign Banks**

There were 43 foreign banks operating in India with 325 branches at March 31, 2016. Foreign banks accounted for 4.6% of aggregate deposits and 5.0% of outstanding gross bank credit of scheduled commercial banks. As part of the liberalization process, the Reserve Bank of India has permitted foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks

also have wholly owned non-bank finance company, investment banking, securities broking, insurance and asset management subsidiaries or joint ventures for both corporate and retail lending.

In a circular dated July 6, 2004, the Reserve Bank of India stipulated that banks should not acquire any fresh stake in another banks' equity shares, if by such acquisition, the investing bank's holding exceeded 5.0% of the investee bank's equity capital. This also applies to holdings of foreign banks with a presence in India, in Indian banks. The Reserve Bank of India issued a notification on "Roadmap for presence of foreign banks in India" on February 28, 2005, announcing the following measures with respect to the presence of foreign banks:

1. During the first phase (up to March 2009), foreign banks were allowed to establish a presence by setting up wholly-owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
2. In addition, during the first phase, foreign banks were allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring.

For new and existing foreign banks, it was proposed to go beyond the existing World Trade Organization  
3. commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.

4. During the second phase (scheduled to be from April 2009 onwards), after a review of the first phase, foreign banks were to be allowed to acquire up to 74.0% in private sector banks in India.

However, in view of the deterioration in the global financial markets during fiscal 2009, the Reserve Bank of India decided to put on hold the second phase until there was greater clarity over the economic recovery as well as the reformed global regulatory and supervisory architecture.

In November 2013, the Reserve Bank of India issued a scheme for the establishment of wholly owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks which commenced business in India after August 2010, or will do so in the future, will be permitted to do so only through wholly owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims, among others. Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) exceed 0.25% of the assets of the Indian banking system. Establishment of a subsidiary would require approval of the Reserve Bank of India and for this purpose, the Reserve Bank of India would take into account various factors including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to management, directed lending, investments and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into mergers and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74% applicable to Indian private sector banks. The Reserve Bank of India, in its second quarter monetary policy review announced in October 2013 has also proposed near national treatment for foreign banks, based on the principles of reciprocity and subsidiary mode of presence.

In July 2012, the Reserve Bank of India revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority sector lending norms as prescribed for domestic banks. In April 2015, revised priority sector lending guidelines were issued by the Reserve Bank of India, and require foreign banks with less than 20 branches to also meet priority sector lending norms in a phased manner by fiscal 2020.

## **Co-operative Banks**

Co-operative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban and semi-urban areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. In light of the liquidity and insolvency problems experienced by some co-operative banks in fiscal 2001, the Reserve Bank of India undertook several interim measures, pending formal legislative changes, including measures related to lending against shares, borrowings in the call market and term deposits placed with other urban co-operative banks. Presently, the Reserve Bank of India is responsible for the supervision and regulation of urban co-operative banks, and the National Bank for Agriculture and Rural Development for state co-operative banks and district central co-operative banks. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004 provides for the regulation of all co-operative banks by the Reserve Bank of India.

With a view to strengthen the capital structure of co-operative banks, the Reserve Bank of India announced a minimum capital adequacy requirement of 9.0% for state and central co-operative banks in January 2014 to be achieved in a phased manner over a period of three years. The guidelines prescribe a minimum capital adequacy ratio of 7.0% by March 31, 2015 and 9.0% with effect from March 31, 2017. Co-operative banks have also been allowed to issue long-term deposits and perpetual debt instruments in order to be able to meet the prescribed capital adequacy requirements.

In the first bi-monthly monetary policy statement for fiscal 2016, announced in April 2015, the Reserve Bank of India announced measures to enable well-managed co-operative banks to expand their business. Financially sound urban co-operative banks having a minimum net worth of Rs. 1.0 billion and technology enabled systems have been allowed to issue credit cards. State co-operative banks have been permitted to set up offsite automated teller machines (ATMs) and mobile ATMs without the prior approval of the Reserve Bank of India. Co-operative banks fulfilling specific requirements like core banking solution have been allowed to offer internet banking facility to their customers.

## Long-Term Lending Institutions

The long-term lending institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provided fund-based and non-fund-based assistance to industries in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions included Industrial Development Bank of India (now a bank), IFCI Limited, and the Industrial Investment Bank of India, as well as ICICI prior to the merger. The long-term lending institutions were expected to play a critical role in Indian industrial growth and, accordingly, had access to concessional government funding. However, following the economic and financial sector reforms after 1991, the operating environment of the long-term lending institutions changed substantially. Although the initial role of these institutions was largely limited to providing a channel for government funding to industries, the reform process required such institutions to expand the scope of their business activities, including into:

- fee-based activities like investment banking and advisory services; and
- short-term lending activities, including making corporate finance and working capital loans

Pursuant to the recommendations of the Narasimham Committee II and the Khan Working Group, a working group created in 1999 to harmonize the role and operations of long-term lending institutions and banks, the Reserve Bank of India, in its mid-term review of monetary and credit policy for fiscal 2000, announced that long-term lending institutions would have the option of transforming themselves into banks subject to compliance with the prudential norms as applicable to banks. In April 2001, the Reserve Bank of India issued guidelines on several operational and regulatory issues, which needed to be addressed, and laid down a path for how long-term lending institutions can transition into universal banks. In April 2002, ICICI merged with ICICI Bank. The Industrial Development Bank (Transfer of Undertaking and Repeal) Act, 2003 converted the Industrial Development Bank of India into a banking company incorporated under the Companies Act, 1956. IDBI Bank Limited, a new private sector bank that was a subsidiary of the Industrial Development Bank of India, was merged with the Industrial Development Bank of India in April 2005. The long-term funding needs of Indian companies are met primarily by banks, Life Insurance Corporation of India and specialized non-bank finance companies. Indian companies also issue bonds to institutional and retail investors.

## Non-Banking Finance Companies

There were 11,682 non-banking finance companies in India at March 31, 2016, mostly in the private sector. Of these, 202 were deposit-taking non-banking finance companies, and the rest were non-deposit taking entities. All non-banking finance companies are required to register with the Reserve Bank of India. Non-banking finance companies are categorized on the following basis: (i) in terms of the type of liabilities into deposit and non-deposit accepting non-banking finance companies; (ii) non-deposit taking non-banking finance companies by their size into systemically important companies with asset size above Rs. 1.0 billion and other non-deposit holding companies; and (iii) by the kind of activity they conduct. The companies that take public deposits are subject to strict supervision and

capital adequacy requirements, similar to banks, by the Reserve Bank of India. Non-banking financial companies are broadly classified into eight categories — asset finance companies, loan companies, investment companies, infrastructure finance companies, infrastructure debt funds, microfinance companies, factors and core investment companies. ICICI Securities Limited, our subsidiary, is a non-banking finance company that does not accept public deposits, and ICICI Home Finance Company, our subsidiary, is a non-banking finance company that accepts public deposits. The primary activities of the non-banking finance companies are consumer credit (including automobile finance, home finance and consumer durable products finance, wholesale finance products such as bill discounting for small and medium companies), and infrastructure finance, and fee-based services, such as investment banking and underwriting. In November 2011, the Reserve Bank of India issued guidelines on the establishment of infrastructure debt funds in the form of mutual funds or non-banking finance companies. In fiscal 2013, we in partnership with other domestic and international banks and financial institutions launched India's first infrastructure debt fund set up in the form of a non-banking finance company. We along with our wholly owned subsidiary have a shareholding of 31.0% in this company.

The Reserve Bank of India issues guidelines with regard to lending, exposure, provisioning requirements and restructuring of loans for the various categories of non-banking finance companies. In August 2011, the Reserve Bank of India released a working group report on issues and concerns in the non-banking finance



companies sector. Some key recommendations of the group included a minimum asset size of Rs. 500 million with a minimum net owned fund of Rs. 20 million for registering as a non-banking finance company, a minimum Tier I capital of 12% to be achieved in three years, introduction of liquidity ratios, more stringent asset classification norms and provisioning norms and limits on exposure to real estate. In March 2015, the Reserve Bank of India issued the final regulatory framework for non-banking finance companies in line with the recommendations of the working group. According to the guidelines, non-banking finance companies must have a minimum net owned fund of Rs. 20 million, and companies below the minimum requirement have to achieve the minimum requirement by April 1, 2017. Deposit accepting non-banking finance companies should have a minimum investment grade rating to accept public deposits. In the event of a downgrade below investment grade, the company would have to stop accepting new deposits and cannot renew existing deposits. Further, deposit accepting non-banking finance companies had to achieve a minimum Tier 1 capital of 8.5% by March 31, 2016, and will have to achieve 10.0% by March 31, 2017.

In July 2015, the Reserve Bank of India issued guidelines relating to acquisition or transfer of control of non-banking finance companies. According to the guidelines, any change in the management of a non-banking finance company either by way of a takeover or acquisition of control, change in shareholding or change in the management with at least 30% newly appointed directors, cannot be initiated without the prior permission of the Reserve Bank of India. A public notice of at least 30 days would also have to be given before the occurrence of these events.

Non-banking finance companies raise money by issuing capital or debt securities including debentures, by way of public issue or private placement. Non-deposit-taking non-banking financial companies can issue perpetual debt instruments which are eligible for inclusion as Tier 1 capital to the extent of 15.0% of total Tier 1 capital as on March 31 of the previous accounting year. Further, with regard to private placement of debentures by non-banking finance companies, the Reserve Bank of India issued guidelines in June 2013, which states that issue of debentures should necessarily be for deployment of funds on its own balance sheet, and not for facilitating resources for group companies. The guidelines also prescribe a minimum time gap of six months between two private placements, a limit on the number of investors to 49, and restrict non-banking finance companies from extending loans against the security of its own debentures.

In the past, the Reserve Bank of India has issued banking licenses to non-banking finance companies. In 2003, Kotak Mahindra Finance Limited was granted a banking license by the Reserve Bank of India and converted itself into Kotak Mahindra Bank. In April 2014, the Reserve Bank of India issued in-principle banking licenses to two non-banking finance companies, IDFC Limited and Bandhan Financial Services Private Limited. Both began operations during fiscal 2016. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 applicants for small finance banks, most of which are microfinance non-banking finance companies. In July 2016, IDFC Bank acquired a microfinance company, making it the first acquisition of a microfinance company by a bank.

### ***Housing Finance Companies***

Housing finance companies form a distinct sub-group of the non-banking finance companies. As a result of the various incentives given by the Government for investing in the housing sector, the scope of this business has grown

substantially. Housing Development Finance Corporation Limited is a leading provider of housing finance in India. In recent years, several other players, including banks, have entered the housing finance industry. We also have a housing finance subsidiary, ICICI Home Finance Company. The National Housing Bank and the Housing and Urban Development Corporation Limited are the two major financial institutions instituted through acts of Parliament to improve the availability of housing finance in India. The National Housing Bank Act provides for securitization of housing loans, foreclosure of mortgages and setting up of the Mortgage Credit Guarantee Scheme.

### *Microfinance Institutions*

In fiscal 2012, the Reserve Bank of India introduced a new category of non-banking financial company called microfinance institutions. Microfinance institutions should have a minimum net worth of Rs. 50 million and maintain a minimum capital adequacy ratio of 15.0% of risk weighted assets. There are specific regulations with regard to pricing of credit by microfinance institutions. The margin above the cost of funds that can be charged on a loan is capped at 10.0% for microfinance institutions having a loan portfolio exceeding Rs. 1.0 billion and 12.0% for others. Further, the interest rate on individual loans is capped at the lower of the two: 1)

cost of funds plus margin, and 2) the average base rate of the five largest commercial banks by assets (as informed by the Reserve Bank of India on a quarterly basis) multiplied by 2.75.

## **Other Financial Institutions**

### ***Specialized Financial Institutions***

In addition to the long-term lending institutions, there are various specialized financial institutions which cater to the specific needs of different sectors. These include the National Bank for Agricultural and Rural Development, Export Import Bank of India, Small Industries Development Bank of India, Tourism Finance Corporation of India Limited, National Housing Bank, Power Finance Corporation Limited, Infrastructure Development Finance Corporation Limited and India Infrastructure Finance Company.

### **State Level Financial Institutions**

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. The state financial institutions are expected to achieve balanced regional socio-economic growth by generating employment opportunities and widening the ownership base of industry. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large enterprises.

### **Insurance Companies**

At March 31, 2016, there were 52 insurance companies in India, of which 24 were life insurance companies and 28 general insurance companies. Of the 24 life insurance companies, 23 were in the private sector and one is in the public sector. Among the general insurance companies, 22 in the private sector and six (including the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited) are in the public sector. General Insurance Corporation of India, a reinsurance company, is in the public sector. Life Insurance Corporation of India, General Insurance Corporation of India and public sector general insurance companies also provide long-term financial assistance to the industrial sector.

The insurance sector in India is regulated by the Insurance Regulatory and Development Authority of India. In December 1999, the Indian Parliament passed the Insurance Regulatory and Development Authority Act, 1999, which also amended the Insurance Act, 1938. This opened up the Indian insurance sector for foreign and private investors.

The Insurance Act currently allows foreign equity participation in new insurance companies of up to 49.0%. A new company should have minimum paid-up equity capital of Rs. 1.0 billion to carry on the business of life insurance or general insurance and of Rs. 2.0 billion to carry on exclusively the business of reinsurance.

In fiscal 2001, the Reserve Bank of India issued guidelines governing the entry of banks and financial institutions into the insurance business. The guidelines permit banks and financial institutions to enter the business of insurance underwriting through joint ventures provided they meet stipulated criteria relating to their net worth, capital adequacy ratio, profitability track record, level of non-performing loans and the performance of their existing subsidiary companies. According to the guidelines, the promoters of insurance companies had to divest in a phased manner their shareholding in excess of 26.0% after a period of 10 years from the date of commencement of business or within such period as may be prescribed by the Indian government. However, the Insurance Laws (Amendment) Act, 2015, passed by both houses of the Parliament and enacted in March 2015 removed the requirement that requires the promoters to dilute their stake to 26.0%. The Act also increased the foreign equity participation limit in insurance companies from 26.0% to 49.0%.

In the general insurance sector, gross premiums underwritten by general insurance companies moderated in fiscal 2008 and fiscal 2009 owing to the de-tariffing of the general insurance sector. Until January 1, 2007 almost 70.0% of the general insurance market was subject to price controls under a tariff regime. With the commencement of a tariff-free regime effective January 1, 2007, the resultant competitive pricing led to a significant decrease in premium rates across the industry leading to moderate premium growth during fiscal 2009 and fiscal 2010. See also “*Supervision and Regulation-Regulations Governing Insurance Companies*”.

During fiscal 2016, the new business weighted individual premium underwritten by the life insurance sector increased by 8.2% to Rs. 440.76 billion compared to Rs. 407.42 billion during fiscal 2015. The share of the private sector increased from 49.0% during fiscal 2015 to 51.5% during fiscal 2016. The gross premium

underwritten in the general insurance sector (excluding specialized insurance institutions) amounted to Rs. 915.72 billion during fiscal 2016 as against Rs. 806.09 billion during fiscal 2015, recording a year-on-year growth of 13.6% (excluding the Export Credit Guarantee Corporation of India Limited and the Agriculture Insurance Company of India Limited). The share of the private sector decreased from 47.3% during fiscal 2015 to 45.5% during fiscal 2016. We have joint ventures in each of the life insurance and the general insurance sectors. Our life insurance joint venture, ICICI Prudential Life Insurance Company, is the largest private sector company in the life insurance sector in India in terms of new business retail weighted received premium. Our general insurance joint venture, ICICI Lombard General Insurance Company, is the largest private sector company in the general insurance sector in India in terms of gross written premium, excluding premium on motor third-party insurance pool.

The financial inclusion initiatives of the government of India include providing insurance cover for people belonging to low-income or below poverty segments and are enrolled through the Government's financial inclusion program. A life insurance cover of Rs. 30,000 and an accident insurance of Rs. 100,000-200,000 are provided to the beneficiaries at very low premiums. The government has also launched separate schemes for providing pension and insurance products to the larger population.

See also "*Risk Factors—Risks Relating to Our Business—While our insurance businesses are an important part of our business, there can be no assurance of their future rates of growth or level of profitability*" and "*Description of ICICI Bank—Overview of Our Products and Services—Insurance*".

## **Mutual Funds**

There were 42 mutual funds in India with assets under management at March 31, 2016 of Rs. 12,328.24 billion. Average assets under management of all mutual funds increased by 13.9% to Rs. 13,534.43 billion during the three months ended March 31, 2016 from Rs. 11,886.90 billion during the three months ended March 31, 2015. From year 1963 to 1987, Unit Trust of India was the only mutual fund operating in the country. It was set up in 1963 at the initiative of the Government and the Reserve Bank of India. From 1987 onwards, several other public sector mutual funds entered this sector. These mutual funds were established by public sector banks, the Life Insurance Corporation of India and General Insurance Corporation of India. The mutual funds industry was opened up to the private sector in 1993. The industry is regulated by the Securities and Exchange Board of India (Mutual Fund) Regulation, 1996. Our asset management joint venture, ICICI Prudential Asset Management Company, was the largest mutual fund in India in terms of average assets under management for the three months ended March 31, 2016, with an overall market share of about 13.0%.

To enhance marketability and access to mutual fund schemes, the Securities and Exchange Board of India in November 2009 permitted the use of stock exchange terminals to facilitate transactions in mutual fund schemes. As a result, mutual funds units can now be traded on recognized stock exchanges. While this facility was available to stock brokers and clearing members initially, it was widened to include mutual fund distributors in October 2013. In June 2009, the Securities and Exchange Board of India removed the entry load and up-front charges deducted by mutual funds, for all mutual fund schemes and required that the up-front commission to distributors should be paid by the

investor to the distributor directly. In February 2010, the Securities and Exchange Board of India introduced guidelines for the valuation of money market and debt securities, with a view to ensuring that the value of money market and debt securities in the portfolio of mutual fund schemes reflects the current market scenario. The valuation guidelines were effective from August 1, 2010. Further, the Union Budget for fiscal 2014 allowed mutual fund distributors to become members on the mutual fund segment of stock exchanges to enable them to leverage the stock exchange network to improve the reach and distribution of mutual fund products.

## **Pension Sector**

Currently, the pension schemes operating in India can be broadly classified in the following categories: pension schemes for Government employees, the employees' provident fund and employees' pension schemes for employees in the organized sector, voluntary pension schemes and the new pension scheme. In case of pension schemes for Government employees, the Government pays its employees a defined periodic benefit upon their retirement. Further, the contribution towards the pension scheme is funded solely by the Government and not matched by a contribution from the employees. The Employees Provident Fund, established in 1952, is a mandatory program for employees of certain establishments. It is a contributory program that provides for periodic contributions of 10% to 12% of the basic salary by both the employer and the employees. The contribution is invested in prescribed securities and the accumulated balance in the fund (including the accretion

thereto) is paid to the employee as a lump sum on retirement. Besides these, there are voluntary pension schemes administered by the Government (the Public Provident Fund to which contribution may be made up to a maximum of Rs. 150,000 per year) or offered by insurance companies, where the contribution may be made on a voluntary basis. Such voluntary contributions are often driven by tax benefits offered under the scheme. The new pension scheme was launched in January 2004 and offers a defined contribution based pension scheme with the individual having the option to decide where to invest the funds.

The Government initially made it mandatory for its new employees (excluding defense personnel) to join the new pension scheme where both the Government and the employee would make monthly contributions of 10% of the employee's basic salary. In 2009, the Government extended the New Pension System to all citizens of India on a voluntary basis, effective from May 1, 2009. With a view to encourage people to invest towards old age security, the Government launched a pension scheme in fiscal 2015, called the Atal Pension Yojana. The scheme focuses on individuals in the unorganized sector to join the National Pension System.

The Government set up the Pension Fund Development and Regulatory Authority to regulate the pension industry in August 2003. In October 2013, the Pension Fund Regulatory and Development Authority Act, 2011 was enacted giving powers to the Pension Fund Development and Regulatory Authority to regulate pension schemes and funds and frame investment guidelines for pension funds. Foreign direct investments in the pension sector are allowed up to 49%. Private sector participation in managing pension assets was permitted for the first time in fiscal 2009, and six private sector companies have been issued licenses, including us. The minimum net worth requirement for asset management companies is Rs. 500 million. See also "*Business—Overview*".

### **Legislative Framework for Recovery of Debts due to Banks**

In fiscal 2003, the Indian Parliament passed the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (as amended, the "Securitization Act"). The Securitization Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the Reserve Bank of India guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The Securitization Act also provides for the setting up of asset reconstruction companies regulated by the Reserve Bank of India to acquire assets from banks and financial institutions. The Reserve Bank of India has issued guidelines for asset reconstruction companies in respect of their establishment, registration and licensing by the Reserve Bank of India, and operations. Asset Reconstruction Company (India) Limited, set up by us, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, received registration from the Reserve Bank of India and commenced operation in August 2003. Foreign direct investment of up to 100% through the automatic route is now permitted in the equity capital of asset reconstruction companies and investment by Foreign Institutional Investors registered with the Securities and Exchange Board of India is permitted in security receipts issued by asset reconstruction companies, subject to certain conditions and restrictions.

In November 2004, the government of India issued an ordinance amending the Securitization Act and subsequently passed this ordinance as an Act. This Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under such Act demanding payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. Further, this Act permits a lender to take over the business of a borrower under the Securitization Act under certain circumstances (unlike the earlier provisions under which only assets could be taken over). See also “*Supervision and Regulation—Regulations Relating to Sale of Assets to Asset Reconstruction Companies*”. However, considering the procedures involved in legal litigations and with borrowers having the option to appeal the decision of the debt recovery tribunal, the process of recovery of loans is significantly delayed.

### ***Corporate Debt Restructuring Forum***

The Reserve Bank of India has devised a corporate debt restructuring system to put in place an institutional mechanism for the restructuring of corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities facing problems, outside the purview of the Board of Industrial and Financial Rehabilitation, debt recovery tribunals and other legal proceedings. In particular, this framework aims to preserve viable corporations that are affected by certain internal and external factors and minimize the losses to the creditors and other stakeholders through an orderly



and coordinated restructuring program. The corporate debt restructuring system is a non-statutory mechanism and a voluntary system based on debtor-creditor and inter-creditor agreements.

### ***Joint Lenders' Forum***

The Reserve Bank of India released a Framework for Revitalising Distressed Assets in the Economy in January 2014. The framework outlines a corrective action plan for early identification of problem loans, timely restructuring of accounts which are considered to be viable, and steps for recovery or sale of unviable accounts. According to the guidelines, banks are required to identify accounts that show signs of stress at an early stage and categorize them into 'special mention accounts' based on specified criteria. These accounts should be reported to a central repository maintained by the Reserve Bank of India. This repository is called the Central Repository of Information on Large Credits. Banks are required to mandatorily form a committee called the Joint Lenders' Forum for accounts where the aggregate exposure of lenders to the account exceeds Rs. 1.0 billion and with repayments overdue by 60 days and the account has been reported by any of the lenders to the central repository. The Joint Lenders' Forum may explore options for early resolution of stress in the account which may include rectification to regularize the account, restructuring either through the corporate debt restructuring forum or by the joint lenders' forum itself, or decide on an appropriate recovery process. Revisions to the guidelines were issued by the Reserve Bank of India on September 24, 2015 which required formation of an empowered group comprising lending banks and also a representative each from the State Bank of India and ICICI Bank as standing members. The final corrective action plan has to be submitted to the empowered group. The guidelines also provide an exit option for those lenders not participating in the rectification or restructuring plan. Further, if the corrective action plan fails, the Joint Lenders' Forum will have the option to initiate strategic debt restructuring to effect change in management. In February 2016, the Reserve Bank of India issued revised guidelines by which the corrective action plan will require the approval of 50% of the lenders, as compared to the earlier requirement of 60% of lenders. Further, under the strategic debt restructuring, banks can classify the asset as standard on divesting 26.0% of the shares of the company, lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters. Since June 2016, banks have also been allowed to undertake structuring of projects that have commenced commercial operations under the Scheme for Sustainable Structuring of Stressed Assets. The scheme allows the Joint Lenders' Forum to segregate the debt into the sustainable portion that can be serviced with existing cash flows over the tenor of the loan, and the unsustainable portion that can be restructured by converting it either into equity or preference shares. See also "*Supervision and Regulation—Loan Loss provisions and non-performing assets*".

### ***Insolvency and Bankruptcy Code, 2016***

The Insolvency and Bankruptcy Code, 2016, was passed in May 2016 and provides a time bound revival and rehabilitation mechanism. The insolvency resolution process can be initiated at the occurrence of a single instance of default of over Rs. 100,000 by the creditors. It classifies the creditors into financial creditors and operational creditors, which include creditors that provide financial loans and loans arising from the operational nature of the debtor, respectively. Other key features include the provision of a 180-day timeline which may be extended by 90 days when dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the

insolvency professionals has to be approved by 75.0% of financial creditors, which requires sanction by the adjudicating authority and, if rejected, the adjudicating authority will pass an order for liquidation. The implementation of this act would require setting up of a National Company Law Tribunal which is the adjudicating authority, the National Company Law Appellate Tribunal to hear appeals on the orders of the adjudicating authority with jurisdiction over companies and limited liability entities, and the Insolvency and Bankruptcy Board of India which will be the new insolvency regulator overseeing insolvency professionals, information utilities and promote transparency. As the implementation of the Code will require setting up of requisite infrastructure, the Code will take some time to get executed.

## **Structural Reforms**

### *Amendments to the Banking Regulation Act*

In December 2012, the Indian Parliament amended the laws governing the banking sector. The amendment to the Banking Regulation Act was enacted in January 2013. The main amendments were as follows:

- permit all private banking companies to issue preference shares that will not carry any voting rights;

make prior approval by the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid-up capital or voting rights by any individual or firm or group, and empower the Reserve Bank of India to impose conditions while granting approval for such acquisition;

empower the Reserve Bank of India, after consultations with the Central Government, to supersede the board of a private sector bank for a total period not exceeding 12 months, during which time the Reserve Bank of India will have the power to appoint an administrator to manage the bank;

give the Reserve Bank of India the right to inspect affiliates of enterprises or banking entities (affiliates include subsidiaries, holding companies or any joint ventures of banks); and

ease the restrictions on voting rights by making them proportionate to the shareholding up to a cap of 26% in the case of private sector banks from the earlier 10%, and 10% in the case of public sector banks from the earlier 1%. In March 2015, the Reserve Bank of India, in exercise of powers conferred by the Banking Regulation Act, has notified a ceiling on voting rights of 15.0% for a single shareholder.

### ***Discussion Paper on Banking Structure***

In August 2013, the Reserve Bank of India released a discussion paper 'Banking Structure in India — the way forward'. The paper envisages a re-orientation of the banking structure with a view to addressing specific issues like enhancing competition, financing higher growth, providing specialized services and further increasing financial inclusion. The discussion paper proposes a differentiated licensing policy for different types of banks for niche business areas. It advocates a continuous licensing policy for entry of new banks compared to the current system of intermittently issuing licenses. To promote financial inclusion, the paper proposes setting up small banks with geographical limitations for catering to the rural and unorganized segments.

### ***Differentiated licenses***

In November 2014, the Reserve Bank of India issued guidelines on licensing of small banks and payments banks as differentiated banks, with the purpose of promoting financial inclusion. These banks would have a minimum capital requirement of Rs. 1.0 billion, and would be limited in their product offering and geographical area of operation. According to the guidelines, payments banks are permitted to accept only demand deposits not exceeding Rs. 100,000 per individual customer, required to invest 75.0% of deposits in government securities of up to one-year maturity and are allowed to sell credit products of other banks as business correspondents. Small finance banks can provide all basic banking products with at least 50.0% of their portfolio constituting loans up to Rs. 2.5 million and must meet a priority sector lending requirement of 75.0% of adjusted net bank credit. Forty-one applications for payments bank licenses and 72 applications for small finance bank licenses were submitted. In September 2015, the Reserve Bank of India granted in-principle licenses to 10 small finance banks and 11 payments banks. Of these, one small finance bank has begun operations and three payments banks have surrendered, or announced their intention to surrender, their licenses. ICICI Bank is a shareholder in Fino PayTech Limited, which has received a payments bank license. In the

monetary policy statement announced on April 5, 2016, the Reserve Bank of India has indicated that it would release a paper on licensing of other differentiated banks such as custodian banks and banks focused on wholesale and long-term financing.

***On-tap Licensing of Universal Banks***

In May 2016, the Reserve Bank of India released draft guidelines for continuous licensing of universal banks in the private sector. According to the guidelines, the minimum net worth for these banks will be Rs. 5.0 billion and the promoters will be required to hold a minimum of 40.0% of the paid-up capital, which will be locked-in for five years and brought down to 15.0% over a period of 12 years. Eligible promoters include non-banking finance companies, individuals with 10 years of experience in banking and finance, and entities/groups in the private sector that have total assets of at least Rs. 50 billion with non-financial business accounting for less than 40% of total assets. Foreign shareholding of up to 74.0% is allowed. Promoting entities that have other group entities shall set up the bank only through the non-operative financial holding company structure. Specialized banking activities can be conducted through a separate entity held under the holding company.

### ***Report on Governance of Boards of Banks in India***

In May 2014, the Committee to Review the Governance of Boards of Banks in India submitted its report. The committee recommended a new governance structure for public sector banks and a reduction in the Government's stake in banks to less than 50.0%. It proposed bringing public sector banks under the purview of the Companies Act and repealing other statutes that govern public sector banks. It also envisaged creation of a Bank Investment Company which would be the de facto holding company of equity stake in banks on behalf of the Government with the powers to govern the public sector banks. A phased transition towards empowering the boards of public sector banks was also proposed which eventually should lead to the Government only acting as an investor rather than exercising ownership functions. With regard to governance in private sector banks, the committee recommended allowing certain types of investors to take larger stakes and permit creation of Authorized Bank Investors comprising of funds that would be permitted to hold a 20.0% equity stake without regulatory approval or 15.0% if the Bank has a seat on the bank's board. Further, other financial investors should be permitted to hold an equity stake of up to 10% from the current limit of 5.0% stake.

Some recommendations of the committee have already been implemented. In fiscal 2015, the Government decided to separate the functions of non-executive chairman and managing director in public sector banks. Further, the Bank Board Bureau has been constituted which is responsible for deciding appointments of senior officials in public sector banks. This replaces the earlier structure where the appointments were decided by a committee led by the Governor of the Reserve Bank of India. The Bank Board Bureau comprises of six members, and apart from appointment of senior officials, it will also guide public sector banks on strategies for raising capital, dealing with issues of stressed assets, and mergers and consolidation.

### ***Insurance Laws (Amendment) Act, 2015***

The Insurance Laws (Amendment) Act, 2015, was passed by the Indian Parliament and notified in March 2015. The Act, among other things, raised the foreign investment limit in the insurance sector from 26.0% to a composite limit of 49.0%, and, eliminated the requirement that promoters of an insurance company reduce their stake to 26.0% after 10 years.

### **Credit Policy Measures**

The Reserve Bank of India issues an annual policy statement setting out its monetary policy stance and announcing various regulatory measures. The Reserve Bank of India issues a review of the annual policy statement on a quarterly basis as well as four mid-quarter reviews. From January 2014, the Reserve Bank of India has been issuing bi-monthly monetary policy statements.

***Credit Policy During Fiscal 2015***

In the first bi-monthly monetary policy review for fiscal 2015, announced on April 1, 2014, the Reserve Bank of India had articulated an inflation target of 8.0% by January 2015 and 6.0% by January 2016. During fiscal 2015, the Reserve Bank of India remained focused on inflation and accordingly the repo rate was kept unchanged at 8.0% during the nine months ended December 31, 2014. The Reserve Bank of India announced a 25 basis points reduction in the repo rate from 8.0% to 7.75% on January 15, 2015 and another 25 basis points reduction to 7.50% on March 4, 2015. In March 2015, the Reserve Bank of India entered into a monetary policy framework agreement with the Government of India. As per the agreement, the Reserve Bank of India would pursue a target of bringing down the inflation level below 6.0% by January 2016 with the target for fiscal 2017 and all subsequent years set at 4.0% (with a band of +/- 2%).

The Reserve Bank of India reduced the statutory liquidity ratio by an aggregate 150 basis points from 23.0% to 21.5% during fiscal 2015, with 50 basis points reduction each in the monetary policy review on June 3, 2014, August 5, 2014 and February 3, 2015. The ceiling for inclusion of government securities forming part of statutory liquidity ratio in the held-to-maturity category was reduced from 24.5% of net demand and time liabilities to 24.0% of net demand and time liabilities on August 5, 2014. In the fourth bi-monthly monetary policy review on September 30, 2014, the Reserve Bank of India announced a further reduction in the ceiling on statutory liquidity ratio securities under the held-to-maturity category to 22.0% of net demand and time liabilities with a phased reduction of 50 basis points each in January 2015, April 2015, July 2015 and September 2015. The Reserve Bank of India progressively reduced the access of banks to the liquidity adjustment facility window. On April 1, 2014, access to liquidity through the liquidity adjustment facility was reduced from 0.50%

of net demand and time liabilities to 0.25% of net demand and time liabilities. Correspondingly, liquidity through 7-day and 14-day term repos was increased from 0.5% of net demand and time liabilities to 0.75% of net demand and time liabilities.

### ***Credit Policy During Fiscal 2016***

In the first bi-monthly monetary policy review for fiscal 2016 announced on April 7, 2015, the Reserve Bank of India kept the repo rate unchanged. In the second bi-monthly monetary policy review announced on June 2, 2015, the Reserve Bank of India reduced the repo rate by 25 basis points from 7.50% to 7.25%. In the fourth bi-monthly monetary policy statement released on September 29, 2015, the Reserve Bank of India reduced the repo rate by 50 basis points from 7.25% to 6.75%. Correspondingly, the reverse repo rate was adjusted from 6.5% to 5.75% and the marginal standing facility rate from 8.5% to 7.75%. In the fifth and sixth bi-monthly monetary policy statements released on December 1, 2015 and February 2, 2016 respectively, the Reserve Bank of India kept the repo rate unchanged.

Other policy announcements included calculation of base rate on the basis of the marginal cost of funds, lowering the risk weight on low-value individual housing loans, reduction in the ceiling on statutory liquidity ratio securities under the held-to-maturity category from 22.0% to 21.5%, and allowing Indian corporations to issue rupee-denominated bonds with a minimum maturity of five years in the overseas market with minimal restrictions on the end use of funds.

### ***Credit Policy During Fiscal 2017***

In the first bi-monthly monetary policy statement announced on April 5, 2016, the Reserve Bank of India reduced the repo rate by 25 basis points from 6.75% to 6.50%. The Reserve Bank of India also narrowed the policy rate corridor for determining the marginal standing facility and the reverse repo rate from 100 basis points to 50 basis points. Accordingly, the reverse repo rate was adjusted from 5.75% to 6.0% and the marginal standing facility rate from 7.75% to 7.0%. Other policy announcements included a reduction in the minimum daily maintenance of cash reserve ratio from 95.0% of net demand and time liabilities to 90.0%. The Reserve Bank of India also revised the liquidity framework indicating progressive lowering of the average liquidity deficit in the system towards neutrality.

## **SUPERVISION AND REGULATION**

*The following description is a summary of certain sector specific laws and regulations in India, which are applicable to us. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information.*

The main legislation governing commercial banks in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are in addition to and not, save as expressly provided in the Banking Regulation Act, in derogation of the Companies Act and any other law currently in force. Other important laws include the Reserve Bank of India Act, the Negotiable Instruments Act, the Foreign Exchange Management Act and the Banker's Books Evidence Act. Additionally, the Reserve Bank of India, from time to time, issues guidelines to be followed by banks. Compliance with all regulatory requirements is evaluated with respect to financial statements under Indian GAAP. Banking companies in India are also governed by the provisions of the Companies Act and if such companies are listed on a stock exchange in India, then various regulations of the Securities and Exchange Board of India additionally apply to such companies.

### **Reserve Bank of India Regulations**

Commercial banks in India are required under the Banking Regulation Act to obtain a license from the Reserve Bank of India to carry on banking business in India. This license is subject to such conditions as the Reserve Bank of India may choose to impose. Before granting the license, the Reserve Bank of India must be satisfied that certain conditions are complied with, including, but not limited to (i) that the bank has the ability to pay its present and future depositors in full as their claims accrue; (ii) that the affairs of the bank will not be or are not likely to be conducted in a manner detrimental to the interests of present or future depositors; (iii) that the bank has adequate capital and earnings prospects; (iv) that the public interest will be served if such license is granted to the bank; (v) that the general character of the proposed management of the bank will not be prejudicial to the public interest or the interest of its depositors; (vi) that having regard to the banking facilities available in the proposed principal area of operations of the bank, the potential scope for expansion of banks already in existence in the area and other relevant factors the grant of the license would not be prejudicial to the operation and consolidation of the banking system consistent with monetary stability and economic growth; and (vii) any other condition, the fulfillment of which would, in the opinion of the Reserve Bank of India, be necessary to ensure that the carrying on of banking business in India by the bank will not be prejudicial to the public interest or the interests of the depositors. The Reserve Bank of India can cancel the license if the bank, at any point, fails to meet the above conditions or if the bank ceases to carry on banking operations in India.

ICICI Bank, because it is licensed as a banking company, is regulated and supervised by the Reserve Bank of India. The Reserve Bank of India requires us to furnish statements and information relating to our business. It has issued, among others, guidelines for commercial banks relating to banking activities and prudential guidelines relating to recognition of income, classification of assets, provisioning, exposure norms on concentration risk, valuation of investments and maintenance of capital adequacy. The Reserve Bank of India has set up a Board for Financial Supervision, under the chairmanship of the Governor of the Reserve Bank of India. The appointment of the auditors of



banks is subject to the approval of the Reserve Bank of India. The Reserve Bank of India can direct a special audit in the interest of the depositors or in the public interest.

### **Regulations Relating to the Opening of Branches**

Opening of branches and shifting of existing branches are governed by the provisions of Section 23 of the Banking Regulation Act. The Reserve Bank of India may cancel a branch license for violations of the conditions under which the branch license is granted.

The Reserve Bank of India has substantially liberalized the branch authorization policy for scheduled commercial banks since fiscal 2014. The term “branch” includes full-fledged branches, specialized branches, satellite offices, mobile branches, extension counters, off-site automated teller machines, administrative offices and back offices. The current branch authorization policy is based on the classification of centers into six tiers based on the population size according to the 2001 census. Banks are permitted to open branches in all centers without the prior approval of the Reserve Bank of India, subject to certain requirements. However, banks are required to report the opening of branches or administrative offices to the Reserve Bank of India. Banks are mandated to allocate 25.0% of the total number of new branches opened during a year to un-banked rural areas, which are in tier 5 and tier 6 centers. Further, the total number of branches opened in tier 1 centers during a year

cannot exceed the total number of branches opened in tier 2 to tier 6 centers during a year. However, banks can exceed the stipulated number of branches in tier 1 centers to the extent of the number of branches opened in tier 2 to tier 6 centers in under-banked districts of under-banked states, excluding the branches opened in unbanked rural centers that are located in the under-banked districts of under-banked states. Banks are allowed to merge, close or shift branches, except rural branches, and semi-urban branches that are the only bank branch in their locations, at their discretion without the approval of the Reserve Bank of India. Branches can be shifted to locations in centers of the same or lower tier. The Reserve Bank of India can withhold the general permission granted with respect to branch opening and impose penal measures on banks that fail to meet the requirements.

### **Capital Adequacy Requirements**

We are required to comply with the Reserve Bank of India's capital adequacy guidelines. The Reserve Bank of India has implemented the Basel III framework in India effective April 1, 2013. The implementation of the Basel III framework is being phased in over several years and will be fully implemented by March 31, 2019. Certain prescriptions under the Basel II capital adequacy framework will continue until March 2017.

The total capital of a bank is classified into Tier 1 and Tier 2 capital. Under the Reserve Bank of India's Basel II guidelines, Tier 1 capital comprised paid-up equity capital, reserves consisting of any statutory reserves, other disclosed free reserves, capital reserves representing surplus arising out of sale proceeds of assets, innovative perpetual debt instruments, perpetual non-cumulative preference shares and any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in Tier 1 capital. Tier 2 capital included undisclosed reserves, revaluation reserves, general provisions and loss reserves, subordinated debt capital instruments classified into upper Tier 2 and lower Tier 2, and any other type of instrument generally notified by the Reserve Bank of India from time to time for inclusion in Tier 2 capital. Under the Basel II guidelines, banks had to maintain a minimum total risk-based capital ratio of 9.0% and a minimum Tier 1 risk-based capital ratio of 6.0%.

The Reserve Bank of India's Basel III guidelines, among other things, establish common equity Tier 1 as a new tier of capital; impose a minimum common equity Tier 1 risk-based capital ratio of 5.5% and a minimum Tier 1 risk-based capital ratio of 7.0% while retaining the minimum total risk-based capital ratio of 9.0%; require banks to maintain a common equity Tier 1 capital conservation buffer of 2.5% of risk-weighted assets above the minimum requirements to avoid restrictions on capital distributions and discretionary bonus payments; establish new eligibility criteria for capital instruments in each tier of regulatory capital; require more stringent adjustments to and deductions from regulatory capital; provide for more limited recognition of minority interests in the regulatory capital of a consolidated banking group; provide for additional capital requirements for derivative exposures; and impose a 4.5% leverage ratio (the ratio of Tier 1 capital to exposure) measure till a final ratio is stipulated by the Basel Committee by the end of 2017. The capital conservation buffer is being introduced in a phased manner from March 31, 2016. The leverage ratio is being disclosed on a quarterly basis from April 1, 2015 on a consolidated basis. Credit value adjustment risk capital charges for over the counter derivatives were effective from April 1, 2014. In March 2016, the Reserve Bank of India issued guidelines expanding the eligibility for common equity Tier 1 capital to include 45.0% of revaluation reserves, which earlier qualified for inclusion in Tier 2 capital, and 75.0% of foreign currency translation reserves. The guidelines further allowed recognition of deferred tax assets arising due to timing differences, excluding accumulated losses, as Tier 1 capital up to 10.0% of a bank's common equity Tier 1 capital in line with the norms of the Basel

Committee on Banking Supervision.

The Basel III guidelines stipulate that additional Tier 1 and Tier 2 capital instruments must have loss absorbency characteristics, which require them to be written down or be converted into common equity at a pre-specified trigger event. The guidelines prescribe two trigger points for instruments issued before March 31, 2019: a common equity Tier 1 ratio of 5.5% of risk-weighted assets before March 31, 2019; and a common equity Tier 1 ratio of 6.125% of risk-weighted assets on and after March 31, 2019. Instruments issued on or after March 31, 2019 must have a pre-specified trigger at common equity Tier 1 ratio of 6.125% of risk-weighted assets. Capital instruments that no longer qualify as additional Tier 1 or Tier 2 capital are being phased out from April 1, 2013, with their recognition capped at 90.0% of the outstanding at December 31, 2012 from April 1, 2013 and reduced by 10 percentage points in each subsequent year. The Reserve Bank of India has permitted temporary write-down features for non-equity capital instruments. The guidelines also permit call options on perpetual debt instruments and non-cumulative preference shares after five years. Banks can issue Tier 2 capital instruments with a minimum maturity of five years. Additionally, banks are allowed to issue additional Tier 1 and Tier 2 capital instruments to retail investors subject to approval of their boards and adherence to investor protection requirements.

Apart from capital requirements, Basel III also prescribes two new liquidity requirements, the liquidity coverage ratio and the net stable funding ratio. The Reserve Bank of India has issued final guidelines on the liquidity coverage ratio effective from January 1, 2015 in a phased manner, starting with a minimum liquidity coverage ratio requirement of 60.0%, increasing to 100.0% from January 1, 2019. The Reserve Bank of India has also defined categories of assets qualifying as high quality liquid assets. The Reserve Bank of India issued draft guidelines on the net stable funding ratio in May 2015, which are likely to be implemented from January 1, 2018. See also “—*Regulations on Asset Liability Management*”. The Reserve Bank of India has issued guidelines on capital disclosure requirements in addition to the existing Pillar 3 guidance. The guidelines prescribe reconciliation of all regulatory capital elements with the published financial statements and other disclosure requirements.

In July 2014, the Reserve Bank of India released the framework for domestic systemically important banks. Banks identified as systemically important based on their size, complexity, cross-jurisdictional activities and inter-connectedness in the financial sector would be required to maintain additional common equity Tier 1 capital ranging from 0.2% to 0.8% of risk-weighted assets. This requirement is in addition to the capital conservation buffer. The higher capital requirement for domestic systemically important banks is being implemented in a phased manner from April 1, 2016 to April 1, 2019. The names of banks classified as domestic systemically important banks would be disclosed in the month of August every year. In August 2015, the Reserve Bank of India announced that State Bank of India (with an additional common equity Tier 1 capital ratio requirement of 0.6%) and ICICI Bank (with an additional common equity Tier 1 capital ratio requirement of 0.2% to be phased in) were domestic systemically important banks. The additional common equity Tier 1 requirement for us for fiscal 2017 is 0.05% of risk-weighted assets.

In February 2015, the Reserve Bank of India released the final guidelines on implementation of the counter-cyclical capital buffer for Indian banks. These guidelines would impose higher capital requirements on banks during periods of high economic growth. The counter-cyclical capital buffer would range from 0% to 2.5% of risk-weighted assets of a bank, based on the variation in the credit-to-GDP ratio from its long-term trend and other parameters. The Reserve Bank of India would pre-announce the buffer at least four quarters prior to implementation. The Reserve Bank of India will also announce guidance regarding the treatment of the surplus capital when the counter-cyclical capital buffer returns to zero. The Reserve Bank of India has stated that at present the economic conditions do not warrant activation of the counter-cyclical capital buffer. See also “*Operating and Financial Review and Prospects—Capital Resources—Regulatory capital*”. See also “*Risk Factors—Risks Relating to Our Business—We are subject to capital adequacy and liquidity requirements stipulated by the Reserve Bank of India, including Basel III, and any inability to maintain adequate capital or liquidity due to changes in regulations, a lack of access to capital markets, or otherwise may impact our ability to grow and support our businesses*”.

With respect to computation of risk-weighted assets for capital adequacy purposes, we follow the standardized approach for the measurement of credit and market risks and the basic indicator approach for the measurement of operational risk. In the measurement of risk-weighted assets on account of credit risk, degrees of credit risk expressed as a percentage weighting have been assigned to various balance sheet asset items and off-balance sheet items. The credit equivalent value of off-balance sheet items is determined by applying conversion factors to the notional amount of the off-balance sheet items. The value of each item is multiplied by the relevant risk weight (and conversion factor for off-balance sheet items) to produce risk-adjusted values of assets and off-balance sheet items. Consumer credit exposures have a risk weight of 125.0% and other exposures meeting the qualifying criteria of regulatory retail, defined by the Reserve Bank of India, have a risk weight of 75.0%. Loans secured by residential property have

differential risk weights ranging from 35.0% to 75.0% based on the size of the loan and the loan-to-value ratio. From October 2015, risk weights on residential housing loans were lowered for small value loans. Loans of up to Rs. 3.0 million with a loan-to-value ratio of less than 80% and loans between Rs. 3.0 million and Rs. 7.5 million with a loan-to-value of less than 75.0% are risk weighted at 35.0% compared to 50% earlier. Loans of up to Rs. 3.0 million with a loan-to-value ratio greater than 80.0% but less than 90.0% and loans between Rs. 3.0 million and Rs. 7.5 million with a loan-to-value between 75.0% and 80.0% are risk weighted at 50.0%. Credit exposures to commercial real estate are risk-weighted at 100.0%, other than residential housing which is risk weighted at 75.0%. Further, restructured housing loans have an additional risk weight of 25.0%. Credit exposures to rated corporations other than specified categories such as commercial real estate, non-deposit taking systemically important non-banking financial companies, venture funds and capital markets are risk-weighted based on the external credit ratings at a facility level, with the risk weight ranging from 20% to 150% and unrated corporate exposures being risk-weighted at 100%. Credit exposures to non-deposit taking systemically important non-banking finance

companies are risk-weighted at 100.0%, exposures to capital markets are risk-weighted at 125% and exposures to venture capital funds are risk-weighted at 150.0%. Further, equity shares of corporations acquired by banks as part of a strategic debt restructuring of loans are risk-weighted at 150%. Capital requirements for market risk are applicable to the trading book exposure (including derivatives) and securities included in the available-for-sale and held-for-trading categories, open gold positions, open foreign exchange position limits, trading positions in derivatives and derivatives entered into for hedging trading book exposures. Capital requirements for operational risk are computed based on 15% of average of gross income for the previous three financial years. Central counterparties are treated as financial institutions for the purpose of capital adequacy. Capital requirements are defined based on the nature of the central counterparty, and a bank may consider holding capital in excess of the minimum requirement if the exposures are riskier or there is no clarity on the nature of the central counterparty. In June 2016, the Reserve Bank of India issued draft guidelines for computing counterparty credit risk arising from derivative transactions and a framework for the capital treatment of bank exposures to central counterparties. The guidelines are based on the framework finalized by the Basel Committee on Banking Supervision and captures the risk arising from over the counter and centrally cleared derivative transactions.

The Reserve Bank of India has issued a timetable for the migration of Indian banks to the advanced approaches under the Basel II framework. Banks intending to migrate to the internal models approach for market risk and the standardized approach for operational risk were required to apply to the Reserve Bank of India after April 1, 2010. Banks intending to migrate to the advanced measurement approach for operational risk and internal ratings-based approaches for credit risk are required to apply to the Reserve Bank of India after April 1, 2012. In addition, in December 2011, the Reserve Bank of India issued guidelines on the internal ratings-based approach for calculating capital charges for credit risk. These guidelines prescribe the minimum loss given default levels to be considered for capital adequacy computation and treat restructured assets as non-performing assets for capital adequacy purposes. ICICI Bank is in the process of implementing various projects for migrating to the advanced approaches.

Under Pillar 2 of the Basel framework, banks are required to develop and put in place, with the approval of their boards, an Internal Capital Adequacy Assessment Process commensurate with their size, level of complexity, risk profile and scope of operations. The Reserve Bank of India has also issued guidelines on stress testing to advise banks to put in place appropriate stress testing policies and frameworks, including “sensitivity tests” and “scenario tests”, for the various risk factors, the details and results of which are included in the Internal Capital Adequacy Assessment Process. The Reserve Bank of India issued updated guidelines on stress testing in December 2013. According to the guidelines, banks have to carry out stress tests for credit risk and market risk to assess their ability to withstand shocks. The guideline contains the overall objectives, governance, design and the implementation of stress testing program. Banks are required to carry out risk factor based stress testing, scenario based stress testing and stress testing by employing shocks on a bank’s portfolio at a standalone and group level. In addition, banks are required to create a reverse stress testing framework by March 31, 2015. Banks are classified into three categories based on size of risk-weighted assets. Complex and severe stress testing would be carried out by banks with risk-weighted assets of more than Rs. 2,000.0 billion.

## **Loan Loss Provisions and Non-Performing Assets**

The Reserve Bank of India consolidated its instructions and guidelines relating to income recognition, asset classification and provisioning standards in the Master Circular on “Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances” The principal features of the Reserve Bank of India guidelines, which have been implemented with respect to our loans, debentures, lease assets, hire purchases and bills in our Indian GAAP financial statements, are set forth below.

*Asset Classification*

A non-performing asset is an asset in respect of which any amount of interest or principal is overdue for more than 90 days. In particular, an advance is a non-performing asset where:

- interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan;
- the account remains “out-of-order” (as defined below) in respect of an overdraft or cash credit;

- the bill remains overdue for a period of more than 90 days in case of bills purchased and discounted;

- installment of principal or interest remains overdue for two crop seasons for short duration crops or for one crop season for long duration crops;

the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in accordance with the Reserve Bank of India guidelines on securitization issued on February 1, 2006;

in respect of derivative transactions, the overdue receivables related to positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment; or

in respect of credit card transactions, if the minimum amount due, as mentioned in the statement, remains overdue for a period of more than 90 days from the payment due date mentioned in the statement.

An account is treated as “out-of-order” if the outstanding balance remains continuously in excess of the approved drawing limit for 90 days. In circumstances where the outstanding balance in the principal operating account is less than the approved drawing limit, but (i) there are no credits continuously for a period of 90 days as of the date of the balance sheet of the bank or (ii) the credits are not sufficient to cover the interest debited during the same period, these accounts are treated as “out-of-order”.

Interest in respect of non-performing assets is not recognized or credited to the income account unless collected.

Non-performing assets are classified as described below.

*Sub-Standard Assets:* Assets that are non-performing assets for a period not exceeding 12 months. Such an asset has well-defined credit weaknesses that jeopardize the liquidation of the debt and are characterized by the distinct possibility that the bank will sustain some loss, if deficiencies are not corrected.

*Doubtful Assets:* Assets that are non-performing assets for more than 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that are classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently known facts, conditions and values, highly questionable and improbable.

*Loss Assets:* Assets on which losses have been identified by the bank or internal or external auditors or during the Reserve Bank of India inspection but the amount has not been written off fully.



There are separate guidelines for classification of loans for projects under implementation which are based on the date of commencement of commercial production and date of completion of the project as originally envisaged at the time of financial closure. For infrastructure projects, a loan is classified as non-performing if it failed to commence commercial operations within two years from the documented date of commencement and for non-infrastructure projects, the loan is classified as non-performing if it failed to commence operations within 12 months from the documented date of commencement. During the three months ended December 31, 2015, against the backdrop of continuing challenges in the corporate sector, the Reserve Bank of India articulated an objective of early and conservative recognition of stress and provisioning, and held discussions with and asked a number of Indian banks, including us, to review certain loan accounts and their classification over the six months ended March 31, 2016. As a result of the challenges faced by the corporate sector and the discussions with and review by the Reserve Bank of India, non-performing assets and provisions of a number of Indian banks, including us, increased significantly during the second half of fiscal 2016. See also “*Risk Factors—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*” and “*Business-Classification of loans*”.

*Restructured Loans*

The Reserve Bank of India has separate guidelines for restructured loans. Up to year-end fiscal 2015, a fully secured standard loan (other than in specified categories such as personal loans, capital market exposures and commercial real estate exposures) could be restructured by rescheduling the principal repayment and/or the interest element without being classified as non-performing subject to compliance with prescribed conditions, but separately disclosed as a standard restructured loan. The classification of restructured loans as standard restructured loan was subject to compliance with certain conditions such as the loans being fully secured, promoter's contribution, including additional funds brought in, comprising at least 20% of a bank's sacrifice or 2.0% of the restructured debt, whichever is higher. Accounts restructured after April 1, 2015, are required to be classified as non-performing, except for restructuring of project loans on account of delay in commencement of operations (as discussed below) and accounts where the restructuring was proposed prior to April 1, 2015 but effected subsequent to that date.

With regard to restructuring of project loans, any extension in repayment of the loan beyond the prescribed period (two years for infrastructure projects and one year for non-infrastructure projects) of the date of commencement of commercial operations from the originally planned date is treated as a restructuring of the account. In cases where projects under implementation have been stalled primarily due to inadequacies of the existing promoters and there is a change in the ownership and management of the borrowing entity, a further period of extension of the date of commencement of commercial operations was permitted by two years.

Standard restructured loans are subject to higher standard asset provisioning requirements and higher risk weights for capital adequacy purposes. The higher standard asset provisioning requirements continue for two years from the commencement of the first payment of interest or principal, whichever is later on the credit facility with the longest period of moratorium. The higher risk weights continue until satisfactory performance under the revised payment schedule has been established for one year from the date when the first payment of interest/principal falls due under the revised schedule. Restructured loans continue to be classified as such until they cease to be subject to the higher standard asset provisioning and/or risk weight requirements. If the restructured account is overdue as per the revised schedule for a period beyond the minimum period prescribed for classification of a loan as non-performing, it is required to be downgraded to non-performing status with reference to the pre-restructuring payment schedule.

In June 2015, the Reserve Bank of India issued guidelines on strategic debt restructuring providing banks with enhanced capabilities to initiate change of ownership in accounts which fail to achieve the projected viability milestones. The guidelines provide for conversion of debt into equity and acquisition of majority ownership of the borrower by banks. On conversion of debt into equity, banks are allowed to continue with the current asset classification for an 18-month period (stand-still benefit). On transfer of ownership to a new sponsor, the asset can be upgraded to the standard category and refinancing of the debt is allowed without such refinancing being treated as a restructuring. However, in the event a new sponsor is not identified within the 18-month period, the bank has to revert to the earlier asset classification norm as was applicable prior to the stand-still in asset classification. In September 2015, the Reserve Bank of India allowed banks to upgrade the credit facilities extended by banks to standard category even in the event of a change in ownership of the borrower outside strategic debt restructuring. Considering the change in risk profile following the change in management, banks are allowed to refinance the existing debt without treating it as restructuring subject to the bank making provisions for any diminution in fair value of the existing debt.

In February 2016, the Reserve Bank of India further revised guidelines with regard to strategic debt restructuring allowing banks to classify the asset as standard on divesting 26.0% of the shares of the company, lower than the earlier requirement of 51.0%. To avoid a sudden increase in provisioning in case the strategic debt restructuring fails, the guidelines require banks to increase provisions on such accounts to up to 15.0% by the end of the 18-month stand-still period, to be made in equal instalments over four quarters. It was further clarified that the benefit of 'stand-still' in asset classification will apply from the reference date (i.e. date of decision of strategic debt restructuring) itself. However, if the targeted conversion of debt into equity shares does not take place within 210 days from the review of achievement of milestones/critical conditions, the benefit will cease to exist.

As an additional measure to strengthen the ability of banks to deal with large stressed assets, in June 2016 the Reserve Bank of India issued guidelines introducing the Scheme of Sustainable Structuring of Stressed Assets. Projects that have commenced commercial operations and have aggregate borrowings (including interest) of over Rs. 5.0 billion are eligible to be structured under the scheme. The sustainable debt level should

not be less than 50.0% of current funded liabilities. The scheme will be applicable where the Joint Lenders' Forum assesses the sustainable debt and concludes based on a techno-economic viability assessment that the current sustainable debt can be serviced over its tenor at current levels of cash flows. The portion assessed as unsustainable will be converted into equity or redeemable cumulative optionally convertible preference shares or convertible debentures. The guidelines also require higher provision to be made for the unsustainable portion of the debt. The scheme may include allowing the current promoter to continue with majority shareholding, or bringing in a new promoter, or lenders acquiring majority shareholding through conversion of debt into equity.

Loans classified as sub-standard and doubtful assets can also be restructured. Non-performing accounts on restructuring can be upgraded only when all the outstanding loans or facilities in the account perform satisfactorily for a period of at least one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with the longest period of moratorium.

Since fiscal 2014, banks have been mandated to disclose further details on accounts restructured in their annual reports. This includes disclosing accounts restructured on a cumulative basis excluding the standard restructured accounts which cease to attract higher provision and/or higher risk weight, the provisions made on restructured accounts under various categories and details of movement of restructured accounts.

#### *Provisioning and Write-Offs*

Provisions under Indian GAAP are based on guidelines specific to the classification of the assets. The following guidelines apply to the various asset classifications:

*Standard Assets: The allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except —*

*direct advances to agricultural and the small and micro enterprise sectors, which attract a provisioning requirement of 0.25%,*

*advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,*

*housing loans, where such loans are made at comparatively lower interest rates for the first years of the loan after which the rates are reset at higher rates, which attract a provisioning requirement of 2.0%.*

An additional provision between 0%-0.8% is required from April 1, 2014 on standard loans to entities having unhedged foreign currency exposure. Banks also have to make an accelerated provision of 5.0% on the loans overdue for 61-90 days and where the formation of the Joint Lenders' Forum, required for such accounts, has been delayed. See also "*—Framework for Early Identification of Stress and Information Sharing*". Further, standard loans require a higher provision of 5.0% in case any director of the company appears more than once in the list of willful defaulters. In case of fraud accounts, 100.0% provisioning has to be made with the option to make the provision over a period of four quarters. The provision requirement pertaining to fraud accounts is computed after adjusting for any financial collateral that may be available and is eligible under Basel III capital adequacy computation.

A standard asset provision of 5.0% is required for accounts restructured from June 1, 2013. The standard asset provision required on accounts restructured before June 1, 2013 was increased to 3.5% from March 31, 2014, 4.25% from March 31, 2015 and 5.0% from March 31, 2016.

*Sub-Standard Assets:* A provision of 15.0% is required for all sub-standard assets as compared to the previous requirement of 10.0%. A provision of 25.0% is required for accounts that are unsecured. Unsecured infrastructure loan accounts classified as sub-standard require provisioning of 20.0%.

*Doubtful Assets:* A 100.0% provision/write-off is required against the unsecured portion of a doubtful asset and is charged against income. With effect from fiscal 2012, for the secured portion of assets classified as doubtful, a 25.0% provision is required for assets that have been classified as doubtful for a year (compared to 20.0% through fiscal 2011), a 40.0% provision is required for assets that have been

classified as doubtful for one to three years (compared to a 30.0% provision required through fiscal 2011) and a 100.0% provision is required for assets classified as doubtful for more than three years. The value assigned to the collateral securing a loan is the amount reflected on the borrower's books or the realizable value determined by third-party appraisers.

*Loss Assets:* The entire asset is required to be written off or provided for.

*Restructured Loans:* The provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. Both sets of cash flows are discounted at the bank's base rate as on the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring. In July 2015, the Reserve Bank of India issued guidelines on the discount rate for computing the present value of future cash flows of a restructured account. The guideline prescribes that a rate equal to the actual interest rate charged to the borrower before restructuring should be used to discount the future cash flows for the purpose of determining the diminution in fair value of the loan on restructuring. A weighted average interest rate may be used as the discounting rate for accounts having multiple credit facilities with varying interest rates. The Reserve Bank of India, after holding discussions during the three months ended December 31, 2016, has directed banks, including us, to make an additional provision of 10.0% in fiscal 2017 for certain restructured loan accounts.

The Reserve Bank of India has issued prudential norms on income recognition, asset classification and provisioning pertaining to advances which covers norms relating to creation and utilization of floating provisions (i.e., provisions which are not made in respect of specific non-performing assets or are made in excess of regulatory requirements for provisions for standard assets). The norms state that floating provisions can be used only for contingencies under extraordinary circumstances for making specific provisions against non-performing accounts after obtaining approval from the board of directors and with the prior permission of the Reserve Bank of India. It also clarified that the extraordinary circumstances refer to losses which do not arise in the normal course of business and are exceptional and non-recurring in nature, such as natural calamities, civil unrest, collapse of currency, general melt down in the markets affecting the entire financial system and exceptional credit losses. Floating provisions for advances and investments must be held separately and cannot be reversed by credit to the profit and loss account. Until utilization of such provisions, they can be netted off from gross non-performing assets to compute the net non-performing assets. Alternatively, floating provisions could be treated as part of Tier 2 capital within the overall ceiling of 1.25% of total risk-weighted assets.

In October 2009, the Reserve Bank of India advised Indian banks to increase their total provisioning coverage ratio, including floating provisions and prudential/technical write-offs, to 70% by September 30, 2010. The Reserve Bank of India allowed the banks to include prudential/technical write-off in both the gross non-performing assets and the provisions held in the calculation of provisioning coverage ratio. The Reserve Bank of India permitted us to achieve the stipulated level of provisioning coverage of 70% in a phased manner by March 31, 2011. We reached the required 70% in December 2010. In April 2011, the Reserve Bank of India stipulated that banks would be required to maintain their provisioning coverage ratios with reference to their gross non-performing assets position at September 30, 2010

and not on an ongoing basis. The Reserve Bank of India further clarified that any surplus provisioning should not be written back but should be segregated into a “counter-cyclical provisioning buffer” and that banks will be allowed to use this buffer to make specific provisions for non-performing assets during a system-wide downturn. For instance, considering the slowdown in economic growth and rising asset quality concerns during fiscal 2014, as a counter-cyclical measure, the Reserve Bank of India allowed banks to utilize up to 33.0% of the counter-cyclical provisioning buffer or floating provisions held as on March 31, 2013, for making accelerated or additional provisions towards non-performing assets during fiscal 2014. Further, in March 2015, the Reserve Bank of India increased the limit to 50.0% of the counter-cyclical provisioning buffer or floating provisions held as on December 31, 2014, for making accelerated or additional provisions towards non-performing assets during fiscal 2015. See also “*Risk Factors—Risks Relating to Our Business—If regulators continue to impose increasingly stringent requirements regarding non-performing loans and provisioning for such loans, or if the provisions for such loans otherwise increase, our business will suffer*”.

To limit the volatility of loan loss provisioning over the course of an economic cycle, the Reserve Bank of India released a discussion paper on a dynamic loan loss provisioning framework in March 2012. The framework proposes to replace the existing general provisioning standards and recommends that banks make provisions on their loan book every year based on historical loss experience in various categories of loans. In those years where the bank's actual provisions are higher than the computed dynamic provisions requirement, the bank can draw down from existing dynamic provisions to the extent of the difference, subject to the retention of a specified minimum level of dynamic provisions. The final guidelines on the dynamic provisioning framework and its implementation have not been issued. The Reserve Bank of India indicated in early 2014 that the framework would be implemented as economic conditions improve along with an improvement in the banking system. In the meantime, banks are expected to develop necessary capabilities to compute their long term average annual expected loss for different asset classes in a step towards switching to the dynamic provisioning framework.

Under the Banking Regulation Act, banking companies in India are required to comply with the directions of the Reserve Bank of India, including guidelines issued with respect to asset identification, asset classification and provisioning by banking companies. While preparing the financial statements under Indian GAAP, banking companies are required to comply with all regulatory requirements, including such directions issued by the Reserve Bank of India. The Reserve Bank of India has issued a circular on February 11, 2016, instructing all scheduled commercial banks in India to comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning April 1, 2018, subject to any guideline or direction issued by the Reserve Bank of India in this regard. Therefore, beginning with the financial statements in fiscal 2019, all asset identification, asset classification and provisioning by banking companies will be based on Ind AS, subject to any further guideline or direction issued by the Reserve Bank of India.

### **Guidelines on Sale and Purchase of Non-performing Assets**

In order to provide banks with option to resolve their non-performing assets, the Reserve Bank of India issued guidelines on the sale and purchase of non-performing assets among banks, financial institutions and non-bank finance companies. As per these guidelines, the board of directors of the bank must establish a policy for the purchase and sale of non-performing assets. Purchases and sales of non-performing assets must be without recourse to the seller and on a cash basis, with the entire consideration being paid upfront. The purchasing bank must hold the non-performing asset on its books for at least 12 months before it can sell the asset to another bank. The asset cannot be sold back to the original seller.

### ***Guidelines Relating to Use of Recovery Agents by Banks***

In April 2008, the Reserve Bank of India issued guidelines for those banks which are engaging recovery agents. The Reserve Bank of India has asked banks to put in place a due diligence process for the engagement of recovery agents, structured to cover, among others, individuals involved in the recovery process. Banks are expected to communicate details of recovery agents to borrowers and have in place a grievance redressal mechanism pertaining to the recovery process. The Reserve Bank of India has advised banks to initiate a training course for current and prospective recovery



agents to ensure prudent recovery practices. In case of persistent complaints received by the Reserve Bank of India regarding violation of guidelines, the Reserve Bank of India may consider imposing a ban on the bank from engaging recovery agents.

***Regulations Relating to Sale of Assets to Asset Reconstruction Companies***

The Securitization Act, also known as the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), provides for the sale of financial assets by banks and financial institutions to asset reconstruction companies. The Reserve Bank of India has issued guidelines to banks on the process to be followed for sales of financial assets to asset reconstruction companies. These guidelines provide that a bank may sell financial assets to an asset reconstruction company provided the asset is a non-performing asset. These assets are to be sold on a 'without recourse' basis, only. A bank may sell a standard asset only if the borrower has a consortium or multiple banking arrangements, at least 75.0% by value of the total loans to the borrower are classified as non-performing and at least 75.0% by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. In fiscal 2015, the Reserve Bank of India had also permitted banks to sell standard loans overdue for more than 60 days and reported as special mention accounts to asset reconstruction companies. The banks selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Further, banks may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realization. However, banks may sell specific financial assets with an agreement to share in any surplus realized by the asset reconstruction company in the future. While each bank is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75.0% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer. Consideration for the sale may be in the form of cash, bonds or debentures or security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets.

Banks can also invest in security receipts or pass-through certificates issued by the asset reconstruction company or trusts set up by it to acquire the financial assets. The Reserve Bank of India has also issued

guidelines governing the affairs of securitization and reconstructions companies. The guideline provides norms relating to period of realization of assets by securitization and reconstruction company, mandatory holding of security receipts, period for formulating plan of recovery etc.

Banks are also allowed to reverse the excess provision in case a non-performing asset is sold to asset reconstruction companies at a value which is higher than the net book value subject to realization in cash and necessary disclosures. The quantum of excess provision reversed to the profit and loss account is limited to the extent to which cash received exceeds the net book value of the non-performing assets sold. In the event the sale value is lower than the net book value, banks are allowed to spread over the shortfall from the sale of non-performing assets over a period of two years as per guidelines issued in May 2015. This dispensation was available for non-performing assets sold up to March 31, 2016. However, as per guidelines issued in June 2016 by the Reserve Bank of India, the dispensation was extended up to March 31, 2017, and the period to spread over the shortfall was restricted to four quarters from the quarter in which the sale took place. For assets sold to asset reconstruction companies during fiscal 2017, in case full provisioning remains to be made as on March 31, 2017, on close of financial year, banks should debit the 'other reserves' component of the balance sheet (which are reserves created for the un-provided amount at the end of the financial year). Banks should proportionately reverse the debits to 'other reserves' and complete the provisioning by debiting profit and loss account, in the subsequent quarters of the next financial year. Further, securitization companies and asset reconstruction companies are not permitted to acquire any non-performing financial assets from their sponsor banks on a bilateral basis. However, they may participate in auctions of non-performing assets by their sponsor banks.

Pursuant to the powers conferred on the Government under section 20 of the SARFAESI Act, the Ministry of Finance established the central electronic registry, which became operational from March 31, 2011. Henceforth, all transactions relating to securitization, reconstruction of financial assets and the transactions relating to mortgage by deposit of title deeds to secure any loan or advances granted by banks and financial institutions are to be registered in the central electronic registry within 30 days of such transaction. The records will be available for search by any lender or any other person interested in dealing with the property and are designed to prevent frauds involving multiple lending against the same security as well as to prevent fraudulent sale of property without disclosing any existing security interest over such property.

### **Framework for Early Identification of Stress and Information Sharing**

In February 2014, the Reserve Bank of India issued a "Framework for Revitalising Distressed Assets in the Economy". The framework outlines an action plan for early identification of problem cases, creating a central repository of information on large credits, timely restructuring of accounts which are considered to be viable, and taking prompt steps by banks for recovery or sale of unviable accounts. Accounts have to be categorized into 'special mention accounts' based on specified criteria. Banks are required to have three sub-categories of special mention accounts depending on the classification of accounts between the standard category and the sub-standard category. SMA-0 category includes accounts where the principal or interest payment is not overdue for more than 30 days but are showing incipient signs of stress; SMA-1 includes accounts where the principal or interest payment is overdue between 31-60 days; and SMA-2 which includes accounts where the principal or interest payment is overdue between 61-90 days.

Joint Lenders' Forums are required to be formed to formulate corrective action plans within stipulated timelines, and in case the forum fails to agree on an action plan, it would result in accelerated provisioning. A requirement for independent evaluation of large value restructuring proposals has also been specified. An independent evaluation of large value restructuring with a focus on viability and fair sharing of gains and losses between promoters and creditors has been mandated. The framework is effective from April 1, 2014. The Joint Lenders' Forum can restructure an account either through the Corporate Debt Restructuring mechanism or independently. See also "*Overview of the Indian Financial Sector—Legislative Framework for Recovery of Debts due to Banks—Joint Lenders' Forum*". Willful defaulters will normally not be eligible for restructuring, unless the Joint Lenders' Forum on assessment concludes that the account can be restructured.

The Reserve Bank of India issued guidelines in May 2015 providing a framework for dealing with loan frauds. The guidelines relate to detection, reporting and monitoring of fraud accounts. They prescribe continuous monitoring and red flagging of accounts based on early warning signals for accounts above Rs. 500 million. They also require reporting frauds on the Reserve Bank of India's central repository of information on large credits for dissemination to other banks and decision-making by the Joint Lenders' Forum in case of consortium or multiple banking arrangements. The framework also illustrates checks/investigations during the different stages of the loan life-cycle and timelines have been defined to complete the due diligence for

evaluation of an account. Restructuring or grant of additional facilities would not be available in case of fraud or red flagged accounts. There are provisioning guidelines relating to fraud accounts that require banks to make a provision for the entire amount due to the bank over a period of four quarters.

In March 2016, the Reserve Bank of India issued a revised framework for the revival and rehabilitation of micro, small and medium enterprises. The guidelines are applicable for loans given to micro, small and medium enterprises with limits of up to Rs. 250 million, including accounts under consortium or multiple banking arrangements. Restructuring of micro, small and medium enterprises' loan accounts with exposure of above Rs. 250.0 million continue to be governed by the guidelines on corporate debt restructuring and Joint Lenders' Forum mechanism.

### **Regulations Relating to Advancing Loans**

The provisions of the Banking Regulation Act govern the advancing of loans by banks in India. The Reserve Bank of India also issues directions covering the loan activities of banks. These directions and guidelines issued by the Reserve Bank of India have been consolidated annually in the Master Circular on "*Loans and Advances—Statutory and Other Restrictions*". These guidelines and directions are revised from time to time by the Reserve Bank of India.

Banks are free to determine their own lending rates but each bank must disclose its minimum interest rate which takes into consideration all elements of lending rates that are common across borrowers. The base rate replaced the benchmark prime lending rate as the standard on July 1, 2010 and was applicable for loans made up to March 31, 2016. During the period when the base rate was applicable as the minimum rate for loans, banks were not permitted to lend below the base rate except for Differential Rate of Interest advances, loans to banks' own employees and retired employees and loans to banks' depositors against their own deposits. Banks could determine their final lending rates on loans and advances with reference to the base rate and by including such other customer specific charges as they consider appropriate. Until such time that loans linked to the benchmark prime lending rate existed, banks had to announce both the benchmark prime lending rate and the base rate.

In April 2014, the Reserve Bank of India's Working Group on Pricing of Credit submitted its report proposing to increase transparency and fairness in credit pricing. The committee recommended that banks should compute the base rate on the basis of marginal cost of funds and there should be a board approved policy delineating the various components that determine the spread that is charged to a customer. It was further recommended that the spread charged to a customer cannot be increased except when the credit risk profile of the customer deteriorates. Also, the periodicity of the interest rate reset should be notified in advance at the time of sanctioning the loan, and any change in interest rates can be made only on pre-specified dates irrespective of the changes made in the base rate. Banks should be able to demonstrate to the Reserve Bank of India the rationale of the pricing policy. Based on the recommendations of the committee, in January 2015, the Reserve Bank of India revised the guidelines on the methodology for calculation of base rate. Banks had the flexibility to choose the methodology for calculating the cost of funds, the basis for which could include the average cost of funds or marginal cost of funds. The interest rate on deposits forming part of the calculation, should be chosen for the tenor having the largest share in the deposit base of the bank. Further, banks were required to review the methodology every three years against the earlier requirement of

five years. These guidelines were effective from February 19, 2015.

In December 2015, the Reserve Bank of India issued final guidelines on the computation of lending rates based on marginal cost of funds. The Marginal Cost of Funds based Lending Rate is applicable on incremental lending from April 1, 2016 and is a tenor linked benchmark. The guidelines clarify the methodology to compute the marginal cost of funds based lending rate, which comprises of marginal cost of funds, negative carry on account of cash reserve ratio, operating costs and tenor premium. The guidelines specified categories of loans which can be priced without linkage to the marginal cost of funds based lending rate. Banks have to review and publish their marginal cost of funds based lending rate every month on a pre-announced date for different maturities ranging from overnight rate to up to one year. The periodicity of reset shall be one year or lower. Loans linked to the base rate can continue till repayment or renewal with existing borrowers having the option to move to the marginal cost of funds based lending rate linked loan at mutually acceptable terms. Banks were earlier not permitted to extend fixed rate loans at a rate of interest lower than the base rate. This restriction will no longer apply under the new guidelines.

Under Section 20(1) of the Banking Regulation Act, a bank cannot grant any loans and advances against the security of its own shares and a banking company is prohibited from entering into any commitment for granting any loans or advances to or on behalf of any of its directors, or any firm in which any of its directors is interested as partner, manager, employee or guarantor, or any company (not being a subsidiary of the banking company or a company registered under Section 25 of the Companies Act or a government company) of which, or the subsidiary or the holding company of which any of the directors of the bank is a director, managing agent, manager, employee or guarantor or in which he holds substantial interest, or any individual in respect of whom any of its directors is a partner or guarantor. There are certain exemptions in this regard as the explanation to the section provides that 'loans or advances' shall not include any transaction which the Reserve Bank of India may specify by general or special order as not being a loan or advance for the purpose of this section.

There are guidelines on loans against equity shares in respect of amount, margin requirement and purpose. The Reserve Bank of India has issued guidelines requiring banks to put in place a policy for exposure to real estate with the approval of their boards. The policy should include exposure limits, collaterals to be considered, collateral cover and margins and credit authorization. The Reserve Bank of India has also permitted banks to extend financial assistance to Indian companies for acquisition of equity in overseas joint ventures or wholly owned subsidiaries or in other overseas companies, new or existing, as strategic investment. Banks are not permitted to finance acquisitions by companies in India. With regard to mortgages, the Reserve Bank of India has imposed a ceiling of 75.0% on the loan-to-value ratio in respect of housing loans exceeding Rs. 7.5 million. However, small value loans of less than Rs. 3.0 million are permitted to have a loan-to-value ratio not exceeding 90.0% subject to appropriate risk weight and loans from Rs. 3.0 million to Rs. 7.5 million can have a loan-to-value ratio of 80% subject to appropriate risk weight. For loans where the cost of the house/dwelling unit is less than Rs. 1.0 million, the Reserve Bank of India has allowed banks to include stamp duty, registration and other documentation charges to the cost of the house/dwelling unit for the purpose of calculating the loan-to-value ratio from March 2015. In November 2012, the Reserve Bank of India issued instructions regarding sharing of information relating to credit, derivatives and unhedged foreign currency exposures among banks and to put in place an effective mechanism for information sharing. Also, from January 1, 2013, sanction of fresh loans and renewal of loans to new and existing borrowers should be done only after obtaining/sharing necessary information. In September 2013, the Reserve Bank of India announced the creation of a central repository of large common exposures across banks, to be based on submissions made by banks to the Reserve Bank of India on exposures of more than Rs. 100.0 million to individuals and entities.

In order to ensure adequate credit flow to infrastructure projects, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure projects and low-cost housing in July 2014. These bonds must have a minimum maturity of seven years and are exempted from reserve requirements, such as cash reserve ratio and statutory liquidity ratio, and are also permitted to be deducted from adjusted net bank credit for the purpose of priority sector lending targets.

The Reserve Bank of India has also issued guidelines in July 2014 permitting flexible structuring of long-term project loans to infrastructure and other core industries. According to the guidelines, banks are permitted to structure long-term project loans with the intent of refinancing these loans at periodic intervals without such refinancing being considered as restructuring. Such loans could have tenors linked to the economic life of the project and can extend up to 25 years and the fundamental viability of the project would be established on the basis of all requisite financial and non-financial parameters. The amortization schedule of the loans can be modified once during the course of the loan without classifying them as restructured loans provided they meet certain specific requirements, such as being a

standard asset with no loss on the net present value and the debt amortization is scheduled within 85.0% of the economic life of the project. While the flexible structuring of long-term project loans was initially applicable for only loans made from July 2014, it was extended to include existing project loans from December 2014.

In August 2014, the Reserve Bank of India issued guidelines with regard to refinancing of existing project loans. According to the guidelines, banks are permitted to refinance such loans by way of full or partial take-out financing, even without a pre-determined agreement with other banks, without such refinancing being considered as restructuring. In the case of partial take-out financing, a minimum 25.0% of the outstanding loan value must be taken over by the new set of lenders as against the earlier requirement of 50.0%. Such loans should be 'standard' in the books of the existing banks at the time of the refinancing and should have started commercial operations. Also, the total exposure of all institutional lenders to such projects must be a minimum of Rs. 10.0 billion. This facility would be available only once during the life of the existing project loan.

## *Directed Lending*

### *Priority Sector Lending*

The guidelines on lending to priority sector require commercial banks to lend a certain percentage of their adjusted net bank credit to specific sectors (the priority sectors), such as agriculture, micro and small enterprises, micro-credit, education and housing finance. The target for total priority sector advances is set at 40.0% of adjusted net bank credit (which is net bank credit plus those investments made by banks in non-statutory liquidity bonds/debentures that are included in the held-to-maturity category, investments eligible to be treated as priority sector, investments in eligible government funds on account of priority sector shortfall and eligible advances extended in India against the incremental foreign currency deposits qualifying for exemption from CRR/SLR requirement) or of the credit equivalent amount of off-balance sheet exposure, whichever is higher as of March 31 of the previous fiscal year. Banks falling short of their priority sector lending targets are required to contribute amounts equivalent to the shortfall to specific Government funds like the Rural Infrastructure Development Fund, established by the National Bank for Agriculture and Rural Development, or funds with other financial institutions.

The Reserve Bank of India released revised priority sector lending guidelines in April 2015. These revised priority sector guidelines are applicable from fiscal 2016. The overall target for priority sector lending continue to be 40.0% of adjusted net bank credit (which apart from the existing definition also includes outstanding priority sector lending certificates) or of the credit equivalent amount of off-balance sheet exposure, whichever is higher; earlier sub-targets in advances to the agricultural sector of 13.5% direct lending and 4.5% indirect lending were combined and a sub-targets of 8.0% for lending to small and marginal farmers and 7.5% lending target to micro-enterprises were introduced. These sub-targets are to be achieved in a phased manner by March 2017. Sectors qualifying for priority sector lending have been broadened to include medium enterprises, social infrastructure and renewable energy. Priority sector lending achievements would be evaluated on a quarterly average basis from fiscal 2017. According to the guidelines, foreign banks with less than 20 branches will also now be required to meet priority sector lending targets of 40.0% of adjusted net bank credit, on par with domestic banks by fiscal 2020. Further, in July 2015, the Reserve Bank of India has directed banks to maintain direct lending to non-corporate farmers at the banking system's average level for the last three years, failing which banks will attract penalties for shortfall. The Reserve Bank of India would notify the banks of the banking system's average level at the beginning of each year. The target for fiscal 2016 was set at 11.57% of adjusted net bank credit. The Reserve Bank of India has also directed banks to continue to pursue the target of 13.5% of adjusted net bank credit towards lending to borrowers who constituted the direct agriculture lending category under the earlier guidelines.

Investments by banks in securitized assets, outright purchases of loans and assignments are eligible for classification under priority sector if the underlying assets themselves qualified for such treatment. The interest rates charged to ultimate borrowers by the originating entities in such transactions are capped for such transactions to be classified as priority sector.



Fresh loans to non-banking finance companies for on-lending to individuals were removed from priority sector effective from April 1, 2011. Loans to microfinance institutions, including non-banking finance companies operating as microfinance companies prior to April 1, 2011, for on-lending to individuals continue to be eligible for classification under the priority sector category. Banks have to ensure that microfinance companies comply with the restrictions prescribed by the Reserve Bank of India on margins and interest rates charged on individual loans. Further, loans sanctioned to non-banking finance companies which are then lent onwards to individuals and entities with gold jewelry as collateral are excluded from classification as direct agriculture lending under priority sector requirements since February 2011. Similarly, investments made by banks in securitized assets originated by non-banking finance companies, where the underlying assets were loans against gold jewelry, and the purchase/assignment of a gold loan portfolio from non-banking finance companies were also made ineligible for classification under agriculture sector lending.

Banks falling short of their priority sector lending targets are required to contribute amounts equivalent to the shortfall to specific Government funds. The contribution is made by subscribing to bonds issued with a maturity of up to seven years. The interest rates on these contributions are below market rates and are generally set depending on the bank rate as set by the Reserve Bank of India. In May 2014, the Reserve Bank of India issued guidelines allowing banks to include the outstanding mandated investments in these Government funds at March 31 of the fiscal year to be treated as part of indirect agriculture and count towards overall priority sector target achievement. Investments at March 31 of the preceding year would also be included in the adjusted net

bank credit which forms the base for computation of the priority sector and sub-segment lending requirements. In December 2014, the Reserve Bank of India restructured the classification of shortfall and interest rates payable to banks on funds placed with the National Bank for Agriculture and Rural Development, the Small Industries Development Bank of India and the National Housing Bank towards shortfall in meeting priority sector obligations. For accounting periods commencing April 1, 2015, amounts equivalent to the shortfall placed with specific Government funds is included under Schedule 11, under 'other assets' in the balance sheet of banks from the earlier categorization under investments.

In April 2016, the Reserve Bank of India allowed banks to trade their priority sector portfolio by selling or buying priority sector lending certificates. Scheduled commercial banks, regional rural banks, local area banks, small finance banks and urban cooperative banks can participate in this trade. Four types of certificates for the categories of agriculture, small and marginal farmers, micro enterprises and general category certificates have been allowed. There will be no transfer of risks or loan assets in these transactions. A bank can issue priority sector lending certificates up to 50.0% of the previous year's priority sector lending achievement. The certificates will expire on March 31 and will not be valid beyond the last reporting date for the fiscal year. The calculation of priority sector lending would be the sum of the outstanding priority sector lending portfolio and the net priority sector lending certificates purchased.

Considering the volatility in the currency market, as a one-time measure in fiscal 2014, the Reserve Bank of India allowed incremental foreign currency non-resident bank deposits and non-resident (external) rupee deposits with a maturity of three years and above to be exempted from maintenance of reserve requirements including cash reserve ratio and statutory liquidity ratio. This benefit was available on deposits received between July 26, 2013 and March 7, 2014. Advances extended against such incremental foreign currency deposits were allowed to be excluded from the computation of adjusted net bank credit for priority sector lending targets. These advances would be eligible for exclusion from adjusted net bank credit till their repayment. Further, in fiscal 2015, the Reserve Bank of India allowed banks to issue long-term bonds for financing infrastructure and low-cost housing. The amount raised by way of these bonds is permitted to be excluded from adjusted net bank credit for the purpose of computing priority sector lending targets, except to the extent that the lending against these bonds is included in priority sector lending.

The Reserve Bank of India is also focused on promoting financial inclusion, and has envisaged a number of steps in this direction. The Committee on Comprehensive Financial Services for Small Businesses and Low-income Households, in its report released in January 2014, has proposed a differentiated banking system with creation of new payments and wholesale banks. Accepting these proposals, the Reserve Bank of India has issued in-principle licenses to 11 payments banks and has indicated releasing a paper on licensing of wholesale banks. The committee has further recommended giving certain non-bank entities direct access to the settlement systems and allowing non-deposit taking non-bank finance companies to act as business correspondents. The committee has also proposed a new framework for priority sector lending along with a new method for computation of priority sector targets based on district and sector wise credit penetration.

With a view to ensure adequate flow of credit to the micro and small enterprises, in April 2014 the Reserve Bank of India advised banks to provide differential interest rates for such borrowers. While pricing the loan, banks have to take into account incentives made available to micro and small enterprises in the form of credit guarantee cover and the zero risk weight applicable to such guaranteed loans for capital adequacy purposes.

*Export Credit*

The Reserve Bank of India allows exporters to avail short-term working capital financing at internationally comparable interest rates. Export credit is available both in rupee as well as in foreign currency. This enables exporters to have access to an internationally competitive financing option. Pursuant to existing guidelines, 12.0% of a bank's adjusted net bank credit is required to be in the form of export credit. This target is in addition to the priority sector lending mandate of 40.0% of adjusted net bank credit. We provide export credit for pre-shipment and post-shipment requirements of exporter borrowers in rupees and foreign currencies. In May 2014, the Reserve Bank of India allowed exporters with a satisfactory track record of at least three years to receive long-term export advance at concessional rates for execution of long-term supply contracts up to a maximum period of 10 years.

*Credit Exposure Limits*

As a prudential measure aimed at better risk management and avoidance of concentration of credit risks, the Reserve Bank of India has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all companies in a single group (or sponsor group). These measures are consolidated in the Reserve Bank of India's Master Circular on exposure norms dated July 1, 2015. The limits currently set by the Reserve Bank of India are as follows:

The exposure ceiling for a single borrower is 15.0% of capital funds and group exposure limit is 40.0% of capital funds. In case of financing for infrastructure projects, the exposure limit to a single borrower may be extended by another 5.0% (i.e., up to 20.0% of capital funds) and the group exposure limit may be extended by another 10.0% (i.e., up to 50.0% of capital funds). The exposure limit in respect of single borrower was raised to 25.0% of capital funds for oil companies that were issued oil bonds by the government of India. Banks may, in exceptional circumstances, with the approval of their board of directors, consider enhancement of the exposure to a borrower up to a maximum of further 5.0% of capital funds, subject to the borrower consenting to the banks making appropriate disclosures in their annual reports.

- Exposures to public sector undertakings are exempted from group exposure limits.

- Capital funds are the total capital as defined under capital adequacy norms (Tier 1 and Tier 2 capital).

Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). Non-fund based exposures are calculated at 100.0% and in addition, banks need to include exposure on account of forward contracts in foreign exchange and other derivative products, like currency swaps and options, computed in accordance with the current exposure method at their replacement cost value in determining individual or group borrower exposure ceilings.

The Reserve Bank of India requires banks to fix internal limits of exposure to specific sectors. These limits are subject to periodic review by the banks. We have fixed a ceiling of 15.0% on our exposure to any one industry (other than retail loans) and monitor our exposures accordingly.

As an interim measure to promote a central clearing of standardized over-the-counter derivative products through a central counterparty, in January 2014, the Reserve Bank of India issued guidelines allowing a bank's clearing exposure to qualifying central counterparties to be outside of the ceiling of 15.0% of its capital funds applicable to a single counterparty. Other exposures to qualifying central counterparties such as loans, credit lines, investments in the capital of central counterparty, liquidity facilities, etc. would continue to be within the existing ceiling of 15.0% of capital funds to a single counterparty. However, all exposures of a bank to a non-qualifying central counterparty should be within the exposure ceiling of 15.0%.

In March 2015, the Reserve Bank of India released a discussion paper on large exposures framework and enhancing credit supply through market mechanism. The framework proposes a limit of 25.0% of the eligible capital base in respect of exposures to each counterparty, which will include a group of connected counterparties. The group will be

identified on the basis of economic interdependence and the eligible capital base is defined as the Tier 1 capital of the bank as against the current norm of total capital funds. In May 2016, the Reserve Bank of India issued another discussion paper which defines limits on the banking system's exposure to large borrowers and requires incremental exposures beyond the normally permitted lending limits to have higher standard asset provisioning and risk weights. According to the guidelines, a borrower having an aggregate fund-based credit limit of Rs. 250.0 billion at any time during fiscal 2018 will be considered as a large borrower. This limit will be gradually reduced to Rs. 150.0 billion in fiscal 2019 and to Rs. 100.0 billion from fiscal 2020 onwards. The normally permitted lending limit is defined as an amount that is 50% of the incremental funds raised over and above the aggregate fund-based credit limit. The general provision required on the incremental exposure would be 3.0% and the additional risk weight over and above the applicable risk weight would be 75%. The framework is proposed to be applicable from fiscal 2018.

*Limits on Exposure to Non-banking Finance Companies*

The Reserve Bank of India has issued guidelines which restrict each bank's exposure to non-banking finance companies, excluding asset financing and infrastructure financing companies, to 10.0% of the bank's capital funds as per the last audited balance sheet. Exposure to non-banking asset finance

companies/infrastructure finance companies has been restricted to 15.0% of bank's capital funds and to non-banking gold loan companies to 7.5% of bank's capital funds. The limit may be increased to 12.5% for non-banking finance company-gold loan companies, 15% for non-banking finance companies excluding asset financing and infrastructure financing companies and 20.0% respectively for non-banking asset and infrastructure financing companies, provided that the excess exposure is on account of funds lent to infrastructure sectors.

#### *Limits on intra-group transaction and exposures*

In February 2014, the Reserve Bank of India issued guidelines on management of intra-group transaction and exposures for financial conglomerates. The guidelines prescribe quantitative limits for intra-group financial transactions and prudential measures for non-financial transactions. The Reserve Bank of India has prescribed a single group entity exposure limit of 5.0% of paid-up capital and reserves of the bank for non-financial companies and unregulated financial services companies and 10.0% in case of regulated financial entities. The aggregate group exposure cannot exceed 20.0% of paid up capital and reserves in case of all group entities (financial and non-financial) taken together and 10% in case of all non-financial companies and unregulated financial services companies taken together. Banks' exposures to other banks/financial institutions in the group in form of equity and other capital instruments are exempted from above limits. In case a bank's current intra-group exposure is more than the limits stipulated in the guidelines, it should bring down the exposure within the limits before March 31, 2016. If the exposure exceeds the permissible limits after March 31, 2016, the excess amount would be deducted from common equity Tier 1 capital of the bank.

#### **Regulations Relating to Investments and Capital Market Exposure Limits**

In terms of Section 19(2) of the Banking Regulation Act, banks should not hold shares in any company except as provided in sub-section (1) of that Act, whether as pledgee, mortgagee or absolute owner, of an amount exceeding 30.0% of the paid-up share capital of that company or 30.0% of its own paid-up share capital and reserves, whichever is less. Further, in terms of Section 19(3) of the Banking Regulation Act, banks should not hold shares, whether as pledgee, mortgagee or absolute owner, in any company in the management of which any managing director or manager of the bank is in any manner concerned or interested.

The Reserve Bank of India guidelines on capital market exposures stipulate that a bank's exposure to capital markets in all forms (both fund based and non-fund based) by way of investments in shares, convertible bonds/debentures, units of equity oriented mutual funds, loans against shares, and secured and unsecured advances to stock brokers, should not exceed 40% of its net worth on both a stand-alone and consolidated basis as of March 31 of the previous year. Within this overall limit, direct investments in shares, convertible bonds/debentures, and units of equity oriented mutual funds and all exposures to venture capital funds have been restricted to 20.0% of their net worth on both a stand-alone and consolidated basis. Further, in July 2011, the Reserve Bank of India stipulated that a bank's investments in liquid schemes of debt oriented mutual funds are subject to a prudential cap of 10.0% of the bank's net worth as of March 31 of the previous year. The above guidelines are also applicable at a consolidated level.

Investment by banks in specified instruments which are issued by other banks or financial institutions and are eligible for capital status for the investee bank/financial institution should not exceed 10% of the investing bank's capital funds. Further, the banks/financial institutions should not acquire any fresh stake in a bank's equity shares, if by such acquisition, the investing bank's or financial institution's holding exceeds 5% of the investee bank's equity capital. The guideline earlier required banks to obtain prior approval of the Reserve Bank of India for equity investment in a company engaged in the financial sector which was revised in September 2015 and the requirement for Reserve Bank of India's approval was removed subject to prescribed conditions.

The Reserve Bank of India has issued detailed guidelines on investments by banks in non-statutory liquidity ratio securities. These guidelines apply to primary market subscriptions and secondary market purchases. Pursuant to these guidelines, banks are prohibited from investing in non-statutory liquidity ratio securities with an original maturity of less than one year, other than commercial paper, certificates of deposits and certain non-convertible debentures with original or initial maturity of up to one year issued by corporations and non-banking finance companies. Banks are also prohibited from investing in unrated securities. A bank's investment in unlisted non-statutory liquidity ratio securities may not exceed 10.0% of its total investment in non-statutory liquidity ratio securities at the end of the preceding fiscal year. However, the bank's investments in unlisted non-statutory liquidity ratio securities may exceed the 10.0% limit by an additional 10.0%, provided

the investment is in securitization papers issued for infrastructure projects and bonds/debentures issued by securitization companies and reconstruction companies set up under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and registered with the Reserve Bank of India. In December 2007, the Reserve Bank of India permitted banks to invest in unrated bonds of corporations engaged in infrastructure activities within the ceiling of 10.0% for unlisted non-statutory liquidity ratio securities in order to encourage flow of credit to the infrastructure sector.

In July 2014, banks were allowed to issue long-term bonds for financing infrastructure projects and low-cost housing. Banks were not allowed to invest in the bonds issued by other banks. In June 2015, however, the Reserve Bank of India permitted banks to invest in bonds issued by other banks. These investments are subject to certain conditions including (i) investments in these bonds are not considered for the purpose of calculation of net demand and time liabilities, (ii) they are not held under the held-to-maturity category, (iii) a bank's investment in these bonds cannot exceed 2.0% of its Tier 1 capital or 5.0% of the issue size, and (iv) an investing bank's aggregate holding in such bonds will be capped at 10% of its total non-statutory liquidity ratio investments .

Further, the total investment by banks in liquid or short-term debt schemes of mutual funds with weighted average maturity of portfolio of not more than one year is subject to a prudential cap of 10% of their net worth as on March 31 of the previous year.

A 125.0% risk weight is assigned to all capital market exposures.

### ***Banks' Investment Classification and Valuation Norms***

The key features of the Reserve Bank of India guidelines on categorization and valuation of banks' investment portfolio are given below.

The entire investment portfolio is required to be classified under three categories: (a) held to maturity, (b) held for trading and (c) available-for-sale. Held to maturity includes securities so classified in accordance with the Reserve Bank of India guidelines; held for trading includes securities acquired with the intention of being traded to take advantage of the short-term price/interest rate movements; and available-for-sale includes securities not included in held-to-maturity and held for trading. Banks should decide the category of investment at the time of acquisition.

The held to maturity category can include statutory liquidity ratio securities up to a specified percentage of the demand and time liabilities and certain non-statutory liquidity ratio securities, including fresh recapitalization bonds received from the government of India towards recapitalization requirement and held in the investment portfolio, investment in the equity of subsidiaries and joint ventures and investment in long-term bonds (with a minimum residual maturity of seven years) issued by companies engaged in infrastructure activities. The minimum residual



maturity of seven years should be at the time of investment in these bonds. Once invested, banks may continue to classify these investments under the held-to-maturity category even if the residual maturity falls below seven years subsequently. However banks' investments in long term bonds issued by other banks for their financing of infrastructure and affordable housing loans are not to be held in the held-to-maturity category. In May 2013, the Reserve Bank of India announced that the level of government securities portfolio permitted to be included in the held-to-maturity category in excess of the overall limit of 25.0% of the investment portfolio permitted to be classified as held-to-maturity, was reduced from 25.0% of demand and time liabilities to 23.0% of demand and time liabilities, in line with the then existing statutory liquidity ratio requirement, with the reduction to be implemented in a phased manner with 50 basis points being reduced every quarter beginning from the three months ended June 30, 2013.

However, following the sharp increase in long-term yields in August 2013 caused by monetary tightening measures announced by the Reserve Bank of India on July 15, 2013 and July 23, 2013, the Reserve Bank of India allowed certain adjustments in the investment portfolio classification and valuation of banks as a temporary measure. Banks were allowed to retain the level of government securities portfolio in the held-to-maturity category at 24.5% of demand and time liabilities, as compared to the earlier requirement of 24.0% during the three months ended September 30, 2013. However, from August 2014, the Reserve Bank of India resumed the reduction in the level of

government securities portfolio in the held-to-maturity category which was reduced to 24.0% of demand and time liabilities effective from August 9, 2014. In September 2014, there was a further reduction in the ceiling on government securities under the held-to-maturity category to 22.0% of demand and time liabilities with a 50 basis points reduction each to be effected on January 10, 2015 to 23.50%, April 4, 2015 to 23.0%, July 11, 2015 to 22.50% and September 19, 2015 to 22.0%. Further, to align the ceiling on statutory liquidity ratio holdings under the held-to-maturity category with the regulatory requirement of statutory liquidity ratio, in December 2015, the Reserve Bank of India announced a progressive reduction in the proportion of total statutory liquidity ratio in the held to maturity category required for banks to exceed the limit of 25.0% of total investments in the held-to-maturity category. The ratios were as follows: 21.5% from January 9, 2016, 21.25% from April 2, 2016, 21.0% from July 9, 2016, 20.75% from October 1, 2016 and 20.5% from January 7, 2017.

Profit or loss on the sale of investments in both held for trading and available-for-sale categories are taken in the income statement. Profit on the sale of investments in the held to maturity category, net of tax and statutory reserve, is appropriated to the capital reserve account after being taken in the income statement. Loss on any sale is recognized in the income statement.

The market price of the security available from the stock exchange, the price of securities in subsidiary general ledger transactions, the Reserve Bank of India price list or prices declared by Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivatives Association of India serves as the “market value” for investments in available-for-sale and held for trading securities.

Investments under the held for trading category should be sold within 90 days; in the event of inability to sell due to adverse factors including tight liquidity, extreme volatility or a unidirectional movement in the market, the unsold securities should be shifted to the available-for-sale category.

Investments may be shifted from or to held-to-maturity with the approval of the board of directors once a year, normally at the beginning of the accounting year; shifting of investments from available-for-sale to held for trading may be done with the approval of the board of directors, the Asset Liability Management Committee or the Investment Committee; shifting from held for trading to available-for-sale is generally not permitted. Since August 2010, the Reserve Bank of India has mandated that, with regard to sales and transfers of securities from or to the held-to-maturity category, if the value of sales exceeds 5.0% of the book value of the investment held in the held-to-maturity category at the beginning of the year, the market value of the investment will have to be disclosed in the notes to the financial accounts in the annual report along with the excess book value over market value for which a provision was not made. In August 2013, following the sharp movement in bond yields, the Reserve Bank of India permitted banks to transfer the government securities portfolio from the held-for-trading and available-for-sale categories to the held-to-maturity category up to 24.5% of demand and time liabilities as a one-time measure. This transfer was excluded from the 5.0% limit prescribed for value of sale or transfer to the held-to-maturity category. The transfer had to be done before September 30, 2013 and banks had the option to value the transferred portfolio at July 15, 2013 prices.

Held-to-maturity securities need not be marked to market and are carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the period remaining to maturity. Investments under available-for-sale category are marked to market at quarterly intervals or at more frequent intervals and held for trading securities valued at market at monthly intervals or at more frequent intervals and provided for as in the case of

those in the available for sale category. Depreciation or appreciation for each basket within the available-for-sale and held for trading categories is aggregated. Net appreciation in each basket, if any, which is not realized, is ignored, while net depreciation is provided for. In August 2013, as part of the special measures announced by the Reserve Bank of India following the sharp movement in market rates, banks were allowed to amortize the net depreciation in the available-for-sale and held for trading book in equal instalments over the remaining part of fiscal 2014.

Investments in security receipts or pass through certificates issued by asset reconstruction companies or trusts set up by asset reconstruction companies should be valued at the lower of: (a) the redemption value of the security receipts or pass through certificates; and (b) the net book value (defined as book value less provisions held) of the financial asset. However, if the instrument issued by securitization/asset reconstruction companies is

limited to the actual realization of the financial asset assigned to the instrument, the net asset value should be obtained from the securitization/asset reconstruction companies for valuation of the investments.

On December 19, 2013, the Reserve Bank of India issued guidelines permitting banks to participate in interest rate futures for the dual purpose of hedging the risk in the underlying investment portfolio and to take a trading position. However, banks are not allowed to undertake transactions in interest rate futures on behalf of their clients.

#### ***Limit on Transactions through Individual Brokers***

Guidelines issued by the Reserve Bank of India require banks to appoint brokers for transactions in securities. These guidelines also require that a disproportionate part of the bank's business should not be transacted only through one broker or a few brokers. If for any reason this limit is breached, the Reserve Bank of India has stipulated that the board of directors of the bank should be informed on a half yearly basis of such occurrence and ratify such action.

#### ***Prohibition on Short-Selling***

The Reserve Bank of India permits scheduled commercial banks and primary dealers to undertake short sale of central government dated securities, subject to the short position being covered within a maximum period of three months. The short positions have to be covered only by outright purchase of an equivalent amount of the same security. The Reserve Bank of India has permitted banks to sell government securities already contracted for purchase, provided that the purchase contract is confirmed and the contract is guaranteed by Clearing Corporation of India Limited, or the security is contracted for purchase from the Reserve Bank of India. Each security is deliverable or receivable on a net basis for a particular settlement cycle. The Reserve Bank of India has also permitted a "when issued" market in government securities in order to further strengthen the debt management framework.

In February 2015, Reserve Bank of India permitted re-repo of government securities, including state development loans and treasury bills, acquired under reverse repo subject to prescribed conditions.

#### ***Introduction of Credit Default Swaps for Corporate Bonds***

In fiscal 2012, the Reserve Bank of India introduced credit default swaps on corporate bonds. Banks are allowed to undertake such transactions, both as market makers as well as users. Commercial banks are eligible to act as market makers provided they fulfill the criteria of a minimum 11.0% capital adequacy ratio with a Tier I ratio of at least 7%, and a net non-performing assets ratio of less than 3.0%. Banks' net credit exposures on account of credit default swaps

cannot exceed 10.0% of the investment portfolio of unlisted/unrated bonds.

Credit default swaps were earlier allowed only on listed corporate bonds and unlisted but rated bonds of infrastructure companies. In January 2013, this was expanded to include unlisted but rated corporate bonds. Further, credit default swaps were permitted on securities with original maturities of up to one year such as commercial papers, certificates of deposit, and non-convertible debentures with original maturities of less than one year.

### ***Subsidiaries and Other Financial and Non-Financial Sector Investments***

Banks need prior permission of the Reserve Bank of India to incorporate a subsidiary. Banks are required to maintain an “arms’ length” relationship with our subsidiaries and with mutual funds sponsored by us in regard to business parameters such as not taking undue advantage in borrowing/lending funds, transferring/selling/buying of securities at rates other than market rates, giving special consideration for securities transactions, in supporting/financing the subsidiary or financing our clients through them when we are not able or not permitted to do so ourselves. We have to observe the prudential norms stipulated by the Reserve Bank of India, from time to time, in respect of our underwriting commitments. Pursuant to such prudential norms, our underwriting or the underwriting commitment of our subsidiaries under any single obligation shall not exceed 15.0% of an issue. Banks also need the prior specific approval of the Reserve Bank of India to participate in the equity of financial services ventures including stock exchanges and depositories notwithstanding the fact that such investments may be within the ceiling (the lower of 30.0% of the paid-up

capital of the investee company or 30.0% of the investing bank's own paid-up capital and reserves) prescribed under Section 19(2) of the Banking Regulation Act.

Under the Reserve Bank of India guidelines, a bank's equity investments in a subsidiary company, or a financial services company (including a financial institution, a stock or other exchange or a depository) which is not a subsidiary, should not exceed 10% of the bank's paid-up share capital and reserves and the total investments made in all subsidiaries and all non-subsidiary financial services companies should not exceed 20% of the bank's paid-up share capital and reserves. However, the cap of 20% does not apply, nor is the prior approval of the Reserve Bank of India required, if investments in financial services companies are held under the "held for trading" category, and are not held beyond 90 days.

In September 2015, the Reserve Bank of India advised that banks which have a capital adequacy ratio of 10.0% or more and have also made net profits as of March 31 of the previous year need not approach the Reserve Bank of India for prior approval for equity investments in financial service companies where after such investment, the holding of the bank remains less than 10.0% of the investee company's paid-up capital, and the holding of the bank, along with its subsidiaries or joint ventures or entities, continues to remain less than 20.0% of the investee company's paid-up capital.

Under the Reserve Bank of India regulations, a bank's equity investments in companies engaged in non-financial services activities are subject to a limit of 10% of the investee company's paid-up share capital or 10% of the bank's paid-up share capital and reserves, whichever is less. For the purpose of this limit, equity investments held under the "held for trading" category are included. Investments within these limits would not require prior approval of the Reserve Bank of India. Equity investments in any non-financial services company held by a bank, or entities which are bank's subsidiaries, associates or joint ventures, and mutual funds managed by asset management companies controlled by the bank should in the aggregate not exceed 20% of the investee company's paid-up share capital. Any investment by a bank in excess of 10% of the investee company's paid-up share capital, but not exceeding 30%, requires the approval of the Reserve Bank of India.

A bank may hold equity in excess of 10% of a non-financial services investee company's paid-up capital without the prior approval of the Reserve Bank of India if the additional acquisition is made through a restructuring or corporate debt restructuring, or is acquired by the bank in order to protect its interest on loans/investments made in a company. However, banks have to submit to the Reserve Bank of India a time bound action plan for disposal of such shares within a specified period.

Further, a bank's equity investments in subsidiaries and other entities that are engaged in financial services activities, together with equity investments in entities engaged in non-financial services activities, should not exceed 20% of the bank's paid-up share capital and reserves. The cap of 20% would not apply for investments classified under the "held for trading" category and which are not held beyond 90 days. The Reserve Bank of India has clarified that investment in overseas banking subsidiaries can be excluded from the above 20% limit. In August 2006, the Reserve Bank of India issued guidelines that included banks' investments in venture capital funds in this limit.

### **Regulations Relating to Securitization of Loans**

In February 2006, Reserve Bank of India issued guidelines on securitization of standard assets by banks and financial institutions. With a view to developing an orderly and healthy securitization market, and ensuring alignment of originators and investors' interests, the Reserve Bank of India issued guidelines on securitization in May 2012. Under the guidelines, all on-balance sheet standard assets are eligible for securitization, except for revolving credit facilities, mortgage backed securities, asset backed securities and loans with bullet repayment of both principal and interest (other than specifically permitted). Loans must also meet a minimum holding period requirement, based on the tenor and repayment frequency of the loan, in order to be eligible for securitization. A minimum retention requirement is prescribed to ensure that the originating banks have a continuing stake in the performance of the securitized assets. The total exposure of banks to the securitized loans cannot exceed 20% of the total securitized instruments, and any exposure in excess of this limit must be risk-weighted at 1,250%.

### **Regulations Relating to Deposits**

The Reserve Bank of India has permitted banks to independently determine interest rates offered on term deposits. However, banks cannot pay interest on current account deposits. Interest rates payable on savings

deposits were regulated until October 2011. In October 2011, the Reserve Bank of India deregulated the savings account interest rate, allowing a uniform interest rate to be paid on deposits up to Rs. 100,000 and permitting differential rates for deposits of over Rs. 100,000, depending on the amount in the account.

The Reserve Bank of India guidelines require that payment of interest be calculated on saving bank account deposits on the basis of daily average balances.

Domestic time deposits and rupee-denominated non-resident ordinary accounts have a minimum maturity of seven days. Rupee denominated non-resident rupee accounts have a minimum maturity of one year. Time deposits from non-resident Indians denominated in foreign currency have a minimum maturity of one year and a maximum maturity of five years.

Banks are allowed to offer differential rates of interests on domestic deposits of the same maturity subject to the following conditions:

time deposits are of Rs. 10.0 million and above; and

interest on deposits is paid in accordance with the schedule of interest rates disclosed in advance by the bank and not pursuant to negotiation between the depositor and the bank.

In April 2015, the Reserve Bank of India allowed banks to introduce the feature of early withdrawal facility in a term deposit as a distinguishing feature for offering differential rates of interest. All term deposits of individuals of Rs. 1.5 million and below should, necessarily, have premature withdrawal facility. For all other term deposits, customers should be given the option to choose between term deposits either with or without premature withdrawal facility. Banks will be required to disclose in advance the schedule of interest rates payable on deposits.

Interest rates on non-resident foreign currency term deposits of one to three years and three to five years are linked to the LIBOR/SWAP rates for the U.S. dollar of corresponding maturity. The rate is periodically prescribed by the Reserve Bank of India. With effect from March 1, 2014, interest rates on FCNR (B) deposits of tenor one to three years was fixed at LIBOR/SWAP plus 200 basis points and interest rate for deposits of tenor three years to five years was fixed at LIBOR/SWAP plus 300 basis points. Interest rates on non-resident rupee savings deposits are set at the rate applicable to domestic savings deposits. Since fiscal 2012, banks are free to determine the interest rates on non-resident (external) rupee deposits and ordinary non-resident accounts. However, the interest rates cannot exceed the rate offered by the bank on comparable domestic rupee deposits. In September 2013, the Reserve Bank of India removed the ceiling on interest rates for non-resident (external) rupee deposits of three years and above till February 28, 2014. Effective March 1, 2014, the interest rates offered on FCNR (B) deposits of tenor three to five years were re-instated to the ceiling of LIBOR/SWAP plus 300 basis points as against the exceptional rate of LIBOR/SWAP plus 400 basis points permitted from August 2013 to February 2014. Also, interest rates of non-resident (external) rupee



deposits was capped to comparable domestic rupee deposits as compared to the earlier deregulation of interest rates permitted from August 2013 to February 2014. The ceiling on ordinary non-resident accounts however continued.

In September 2013, the Reserve Bank of India introduced a swap facility for incremental foreign currency deposits. This was set up with the intent to increase the flow of foreign currency funds into the country considering the sharp depreciation in the rupee. This facility was only for deposits in foreign currency non-resident (bank) deposit accounts, and was available only in U.S. dollars. The tenor of the swap was fixed at three years and above. A bank could avail the swap facility only once a week, with the maximum amount of U.S. dollars eligible for swap equal to the foreign currency deposits mobilized in the preceding week. The swap facility was made available only for a fixed period from September 10, 2013 to November 30, 2013. In another step taken by the Reserve Bank of India, effective from July 26, 2013, incremental foreign currency non-resident deposits and non-resident rupee deposits having a maturity of three years and above were exempted from cash reserve ratio and statutory liquidity ratio requirements. This benefit was withdrawn for deposits received from March 8, 2014 onwards. The three-year deposits raised by banks under the swap facility are maturing in fiscal 2017.

With a view to increasing the availability of financial services across regions and population segments, the Reserve Bank of India has advised banks to make available a basic savings bank deposit account without having the requirement of any minimum balance.

### **Regulations Relating to Customer Service & Customer Protection**

Enhancing customer service and customer protection is a focus area for the Reserve Bank of India which has regularly emphasized on offering efficient, fair and speedy customer service. In this regard, a committee was set up in fiscal 2010 to consider improvements in customer service in banks. Following the recommendations made by the committee, the Reserve Bank of India has issued several guidelines. In July 2013, banks were mandated to have a uniform pricing policy for all customers across all branches, irrespective of the branch in which the account was opened. Further, draft guidelines on wealth management and marketing services offered by banks were issued. According to the guidelines, wealth management services can be offered only through a subsidiary or a separately identifiable department or division in the bank in order to avoid conflict of interest. Further, banks need to take prior approval of the Reserve Bank of India for offering wealth management services. In May 2014, the Reserve Bank of India issued guidelines instructing banks to not charge foreclosure charges or pre-payment penalties on floating rate term loans sanctioned to individual borrowers. Further, banks are also not permitted to levy penal charges for non-maintenance of minimum balance in any in-operative accounts.

In November 2014, RBI has issued additional guidelines on levy of charges for non-maintenance of minimum balance in savings bank account. According to the guidelines, the penal charges should be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening an account. A suitable slab structure for recovery of charges may be finalized. Further, it should be ensured that balance in the savings account does not turn into negative balance solely on account of levy of charges for non-maintenance of minimum balance.

In December 2014, Reserve Bank of India has issued a charter of customer rights, which provides the broad overarching principles for protection of bank customers. The charter describes five basic rights of bank customers which are the right to fair treatment, right to transparency, fair and honest dealing, right to suitability, right to privacy and right to grievance redressal and compensation.

In July 2015, the Reserve Bank of India has issued procedural guidelines for redressal of grievances by the chief customer service officer/internal ombudsman. According to the guidelines, a bank shall examine the grievances as per its internal grievance redressal mechanism and in case the bank decides to reject a complaint and/or decides to provide only partial relief to the complainant, it should invariably forward such cases to the chief customer service officer/internal ombudsman for further examination.

### **Deposit Insurance**

Demand and time deposits of up to Rs. 100,000 accepted by Indian banks have to be insured with the Deposit Insurance and Credit Guarantee Corporation, a wholly-owned subsidiary of the Reserve Bank of India. Banks are required to pay the insurance premium for the eligible amount to the Deposit Insurance and Credit Guarantee Corporation on a semi-annual basis. The cost of the insurance premium cannot be passed on to the customer. Under the new Companies Act, 2013, deposit insurance has been made mandatory for companies accepting deposits. In September 2015, the Reserve Bank of India released the Report of the Committee on Differential Premium System for Banks in India, proposing the introduction of risk-based premium in India.

**The Depositor Education and Awareness Fund (DEAF) Scheme, 2014 — section 26A of Banking Regulation Act, 1949**

The Reserve Bank of India has advised that banks shall calculate the cumulative balances in all eligible accounts which are unclaimed for more than 10 years along with interest accrued, as on the day prior to May 23, 2014, and such amounts due should be transferred to the Fund on June 30, 2014 (before the close of banking hours). Subsequently, the amount due in each calendar month shall be transferred on the last working day of the subsequent month.

**Regulations Relating to Knowing the Customer and Anti-Money Laundering**

The Prevention of Money Laundering Act, 2002, which came into effect beginning July 2005, seeks to prevent and criminalize money laundering and terrorist financing. It also provides for the freezing and confiscation of assets concerned in money laundering/terrorism offences, and the formation of the Financial Intelligence Unit. This Act lays down the obligations on designated entities (including banks and financial institutions) for maintaining records of prescribed transactions and for reporting certain transactions to the Financial Intelligence Unit. It also lists out the predicate offences that come under the purview of the Act, the appointment of the Designated Director and the Principal Officer and their respective obligations under the Act. Prevention of Money-Laundering Rules have also been framed under such Act. This Act and such Rules have since been amended from time to time.

The Reserve Bank of India has prescribed guidelines to be observed by banks/financial institutions under its jurisdiction with regard to know your customer, anti-money laundering and combating financing of terrorism procedures in line with the provisions of the Prevention of Money Laundering Act 2002 and Rules notified there under. This is in line with the recommendations made by the Financial Action Task Force on Anti-Money Laundering standards and on Combating Financing of Terrorism. The objective of these guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The guidelines cover key aspects including customer acceptance policy, customer identification procedures, monitoring of transactions and risk management. The guidelines also cover enhanced due diligence measures, regulatory reporting as per the Prevention of Money Laundering Act, appointment of designated director and a senior official as principal officer, training of employees and independent audit of anti-money laundering/know your customer framework and provision for simplified know your customer procedures for opening small accounts.

### **Regulations on Asset Liability Management**

The Reserve Bank of India's regulations for asset liability management require banks to draw up asset liability gap statements separately for rupee and foreign currencies for the domestic and overseas operations of the bank. These gap statements are prepared by scheduling all assets and liabilities according to the stated and anticipated re-pricing date, or maturity date. The statements are submitted to the Reserve Bank of India on a periodic basis. The Reserve Bank of India has advised banks to actively monitor the difference in the amount of assets and liabilities maturing or being repriced in a particular period and to place internal prudential limits on the gaps in each time period, as a risk control mechanism.

According to Reserve Bank of India guidelines regarding prudential limits for inter-bank liabilities, a bank's inter-bank liabilities cannot exceed 200.0% of its net worth as on the last day of the previous fiscal year. Individual banks have been permitted, with the approval of their boards of directors, to fix a lower limit for their inter-bank liabilities, keeping in view their business model. However, banks whose capital to risk assets ratio is at least 25% more than the minimum capital to risk assets ratio (currently 9%), i.e., 11.25% as on the last day of the previous fiscal year, are allowed a higher limit with respect to inter-bank liability of up to 300.0% of their net worth. The limits prescribed include only fund-based inter-bank liabilities within India (including inter-bank liabilities in foreign currency to banks operating within India), and inter-bank liabilities outside India are excluded. The Reserve Bank of India guidelines also stipulate that existing limits on call-money borrowing shall form a sub-limit of the above-mentioned limit. At present, on a daily average basis, call/notice money borrowings should not exceed 100% of bank's capital funds. However, banks are allowed to borrow a maximum of 125% of their capital funds on any day during a fortnight.

The Reserve Bank of India has issued guidelines on duration gap analysis for interest rate risk management. The guidelines are aimed at providing an indication of the interest rate risk to which the bank is exposed. The report on interest rate sensitivity as per duration gap analysis is being submitted on a quarterly basis since June 30, 2011 and on a monthly basis since April 30, 2012.

In November 2012, the Reserve Bank of India consolidated the various instructions and guidelines on liquidity risk management issued from time to time in the past. Instructions and guidelines were enhanced in line with the Basel Committee on Banking Supervision Principles for Sound Liquidity Risk Management and Supervision. The guideline includes enhanced guidance on liquidity risk governance, measurement, monitoring and the reporting to the Reserve Bank of India on liquidity positions.

### **Foreign Currency Dealership**

The Reserve Bank of India has granted us a full-fledged authorized dealers' license to deal in foreign exchange through our designated branches. Under this license, we have been granted permission to:

engage in foreign exchange transactions in all currencies;

open and maintain foreign currency accounts abroad;

raise foreign currency and rupee denominated deposits from non-resident Indians;

grant foreign currency loans to on-shore and off-shore corporations;

open documentary credits;

grant import and export loans;

handle collection of bills, funds transfer services;

issue guarantees; and

enter into derivative transactions and risk management activities that are incidental to our normal functions authorized under our organizational documents and as permitted under the provisions of the Banking Regulation Act.

Further, we have been permitted to hedge foreign currency loan exposures of Indian corporations in the form of interest rate swaps, currency swaps and forward rate agreements, subject to certain conditions. Banks in the authorized dealer category may become trading or clearing members of the currency derivatives segment to be set up by stock exchanges recognized by the Securities and Exchange Board of India, subject to their fulfilling the requirements of (i) minimum net worth of Rs. 5.0 billion, (ii) minimum capital adequacy ratio of 10%, (iii) net non-performing assets not exceeding 3% and (iv) net profit for the previous three years.

Our foreign exchange operations are subject to the guidelines specified by the Reserve Bank of India in the exchange control manual. As an authorized dealer, we are required to enroll as a member of the Foreign Exchange Dealers Association of India, which prescribes the rules relating to foreign exchange business in India. We are also among banks that submit data to government authorities for the setting of financial benchmarks. In April 2014, the Reserve Bank of India issued guidelines recommending measures to strengthen the quality, methodology and the governance framework with respect to financial benchmarks. This was based on recommendations submitted by the committee on financial benchmarks. According to the guidelines, banks submitting data would have to implement an internal board approved policy on governance of the benchmark submission process and periodically submit a confirmation on

compliance with the guidelines. Further, it was proposed that an independent company be set up for the administration of benchmarks. In July 2015, the Financial Benchmarks India Private Limited was set up which would administer the overnight inter-bank rate and which would be based on the actual traded rate every morning. Over a period, it is also proposed to administer foreign exchange benchmarks and rupee interest rate benchmarks.

Authorized dealers, like us, are required to determine our limits on open positions and maturity gaps in accordance with the Reserve Bank of India guidelines and these limits are approved by the Reserve Bank of India.

### **Gold monetization scheme and Sovereign gold bonds**

In October 2015, the Reserve Bank of India issued guidelines on gold monetization scheme where banks are allowed to mobilize gold deposits and provide loans against these deposits. The minimum deposit under the gold deposit scheme at any one time is 30 grams of raw gold with short term bank deposits allowed for a minimum of 1-3 years, and treated as on-balance sheet liability and medium term deposits of 5-7 years and long term of 12-15 years. The medium and long term deposits will be the liability of the central government.

The redemption of medium and long-term deposits, at the option of the depositor, can be either in Indian rupee equivalent of the value of deposited gold or in gold itself.

The Reserve Bank of India also issued guidelines on sovereign gold bonds with investments in such bonds being eligible for statutory liquidity ratio calculations. The bonds could also be used as collateral for loans.

### **Statutes Governing Foreign Exchange and Cross-Border Business Transactions**

Foreign exchange and cross-border transactions undertaken by banks are subject to the provisions of the Foreign Exchange Management Act. Banks are required to monitor transactions of customers based on pre-defined rules using a risk-based approach. The transaction monitoring system envisages identification of unusual transactions, undertaking due diligence on such transactions and, if confirmed as suspicious, reporting to the financial intelligence unit of the respective jurisdiction. Our transaction monitoring system is periodically reviewed and is being supplemented with appropriate anti-money laundering software technology solutions.

The Reserve Bank of India issues guidelines on external commercial borrowings and trade credits from time to time. Consolidated guidelines relating to external commercial borrowings are covered by the Reserve Bank of India in its Master Direction on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorized Dealers and Persons other than Authorized Dealers and its Master Direction on Reporting under Foreign Exchange Management Act, 1999, as amended. The guidelines do not permit financial intermediaries, including banks, to raise such borrowings or provide guarantees in favor of overseas lenders for such borrowings. Eligible borrowers, which are largely corporations, may raise such borrowings for investments such as the import of capital goods, in new and expansion projects, and also to meet foreign exchange needs of the infrastructure sector. The external commercial borrowing proceeds can also be utilized for overseas direct investment in joint ventures and wholly owned subsidiaries subject to the existing guidelines on Indian Direct Investment in joint ventures and wholly owned subsidiaries abroad. Utilization of external commercial borrowing proceeds is not permitted for lending, capital market investments or acquisitions in India or real estate investments (including integrated townships). The maximum amount of external commercial borrowings that can be raised is US\$ 750 million during a year for companies in the infrastructure and manufacturing sectors under the automatic route. Corporations in the software development and microfinance sectors are permitted to avail of external commercial borrowing of up to US\$ 200 million and US\$ 100 million respectively.

In September 2015, the Reserve Bank of India allowed Indian resident borrowers to raise trade credit in Rupees after entering into a loan agreement with the overseas lender, subject to certain conditions. Further, overseas lenders of Rupee denominated trade credits are now eligible to hedge their exposure in Rupees through permitted derivative products in the on-shore market.



Borrowers are permitted to raise external commercial borrowings for the purpose of refinancing an existing external commercial borrowing. This is however not permissible for overseas branches/subsidiaries of Indian banks.

In November 2015, the Reserve Bank of India issued a revised external commercial borrowing framework. Key features of the revised framework include fewer restrictions on the end-use of external commercial borrowings, a liberal approach for Indian rupee denominated borrowings where the currency risk is borne by the lender, an expanded list of overseas lenders to include sovereign wealth funds, pension funds and insurance companies, and an enhanced limit for small value external commercial borrowings with minimum average maturity of three years from US\$20 million to US\$50 million. The framework comprises of three components: 1) medium-term foreign currency borrowings with minimum average maturity of three to five years termed as track I; 2) long-term foreign currency borrowings with minimum average maturity of 10 years termed as track II and 3) Indian rupee denominated borrowings with minimum average maturity of three to five years termed as track III. Lending by overseas branches and subsidiaries of Indian banks is permitted only for medium term borrowings (track I). The all-in-cost ceiling is LIBOR plus 300 basis points for borrowings with an average maturity period of three to five years and LIBOR plus 450 basis points for borrowings with average maturity of over five years under track I. Under track II, the all-in-cost ceiling is a maximum spread of 500 basis points over the benchmark, and under track III the cost should be in line with market conditions. Companies in the infrastructure sector, non-banking financial companies - infrastructure finance companies, non-banking finance companies-asset finance companies, holding companies and core investment companies will also be

eligible to raise external commercial borrowings under track I of the framework with minimum average maturity period of five years, subject to 100% hedging.

In September 2015, the Reserve Bank of India issued guidelines on issuance of rupee-linked bonds in overseas markets. As per the guidelines, Indian companies eligible to raise external commercial borrowings will be permitted to issue such bonds. Apart from companies, Real Estate Investment Trusts and Infrastructure Investment Trusts are also eligible to borrow under the guidelines. The bonds can be issued in jurisdictions which are Financial Action Task Force (FATF) compliant. The minimum maturity for these bonds would be five years and the only end use restrictions are a negative list of activities including purchase of land, capital market exposure and real estate.

In April 2016, the Reserve Bank of India issued a revised framework for issuance of rupee denominated bonds overseas. The issuance of rupee denominated bonds overseas will be within the aggregate limit of foreign investment permitted in corporate debt as notified from time to time. As per current limits, the maximum amount that can be borrowed by an entity in a financial year under the automatic route by issuance of these bonds will be Rs. 50 billion. Proposals to borrow beyond Rs. 50 billion will require prior approval of the Reserve Bank of India. The rupee denominated bonds can only be issued in a specified country and can be subscribed by a resident of the specified country. The minimum maturity for these bonds is set at three years to align with the maturity guidelines on foreign investment in corporate bonds through the foreign portfolio investment route.

### **Foreign Currency Borrowings by Banks in India**

The Reserve Bank of India has allowed banks to borrow funds from their overseas branches and correspondent banks (including borrowings for financing export credit, external commercial borrowings and overdrafts from their head office/nostro account) up to a limit of 50% of unimpaired Tier 1 capital or US\$10 million, whichever is higher. However, short-term borrowings up to a period of one year or less should not exceed 20% of unimpaired Tier 1 capital within the overall limit of 50%. In October 2013, the Reserve Bank of India issued a notification enhancing the borrowing limit from 50% to 100% of unimpaired Tier 1 capital or US\$10 million, whichever is higher. The enhanced limit was made available for a limited period of up to November 30, 2013 as a measure to improve foreign currency inflows in the economy. These borrowings were also eligible for the U.S. dollar-Rupee swap facility provided by the Reserve Bank of India at a fixed rate of 3.5% per annum from September 10, 2013 till November 30, 2013.

All the regulations and guidelines issued by the Reserve Bank of India, as amended from time to time, in connection with foreign currency borrowings by banks in India have been consolidated in the master circular on Risk Management and Inter-Bank Dealings. The aforesaid limit applies to the aggregate amount availed of by all the offices and branches in India from all their branches or correspondents abroad and also includes overseas borrowings in gold for funding domestic gold loans. Capital funds raised by issue of innovative perpetual debt instruments and other overseas borrowings with the specific approval of the Reserve Bank of India will continue to be outside the limit of 50% of unimpaired Tier 1 capital.

## Legal Reserve Requirements

### *Cash Reserve Ratio*

A bank is required to maintain a specified percentage of its net demand and time liabilities, excluding inter-bank deposits, by way of cash reserve with itself and by way of balance in current account with the Reserve Bank of India. Following the enactment of the Reserve Bank of India (Amendment) Bill 2006, the floor and ceiling rates (earlier 3.0% and 20.0% respectively) on the cash reserve ratio were removed. The following liabilities are excluded from the calculation of the demand and time liabilities to determine the cash reserve ratio:

- inter-bank liabilities;

- liabilities to primary dealers;

- refinancing from the Reserve Bank of India and other institutions permitted to offer refinancing to banks; and

- perpetual debt qualifying for lower Tier 1 capital treatment.

The cash reserve ratio was revised to 4% of a bank's demand and time liabilities adjusted for the exemptions which include (but are not limited to) (i) the paid up capital, reserves and credit balance of the bank; (ii) net income tax provision; (iii) amount received from Deposit Insurance and Credit Guarantee Corporation towards claims and held by banks pending adjustments; (iv) provision not being a specific liability arising from contracting additional liability and created from profit and loss account; and (v) demand and time liabilities in respect of their offshore banking units, effective from the fortnight beginning February 9, 2013.

The Reserve Bank of India does not pay any interest on cash reserve ratio balances. The cash reserve ratio has to be maintained on an average basis for a fortnightly period. In July 2013, the Reserve Bank of India increased the daily cash reserve requirement from a minimum of 70.0% of the required cash reserve ratio on any day of the fortnight to 99%, as part of measures to stabilize the movement in exchange rates. In September 2013, following stabilization in the movement in exchange rates, the daily minimum cash reserve requirement was reduced to 95%. In April 2016, the Reserve Bank of India reduced the requirement further to 90% from the fortnight beginning April 16, 2016.

### ***Statutory Liquidity Ratio***

In addition to the cash reserve ratio, a bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid assets like cash, gold or approved unencumbered securities. In October 2015, the Reserve Bank of India also allowed investments in sovereign gold bonds be considered in the calculation of statutory liquidity ratio. As stipulated by the Reserve Bank of India, banks in India were required to maintain their statutory liquidity ratio at a level of 21.25% effective April 2, 2016 and 21.0% from July 9, 2016 (21.5% on March 31, 2016).

### ***Liquidity Coverage Ratio***

In June 2014, the Reserve Bank of India released guidelines implementing the Basel III Framework on Liquidity Standards— Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and Liquidity Coverage Ratio Disclosure Standards. According to the guidelines, banks have to maintain a minimum liquidity coverage ratio, which is a ratio of the stock of high quality liquid assets to total net cash outflows over the next 30 calendar days under certain prescribed stressed conditions. The liquidity coverage ratio is designed to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets to meet any acute liquidity requirements over a hypothetical stressed period lasting 30 days. These guidelines are applicable from January 1, 2015, starting with a minimum liquidity coverage ratio requirement of 60.0% and increasing in a phased manner to 100.0% effective from January 1, 2019.

As noted above, banks in India are already required, under Indian law and regulation, to maintain a statutory liquidity ratio at or above a prescribed percentage (currently 21.00%). The statutory liquidity ratio is calculated as the ratio of a bank's liquid assets, such as cash, gold or approved unencumbered securities ("statutory liquidity ratio securities"), to its net demand and time liabilities. Statutory liquidity ratio securities include Indian central government securities as well as certain securities issued by Indian state governments. Further, as per guidelines issued on liquidity standards in

November 2014, the Reserve Bank of India allows banks, under certain stressed conditions, to avail themselves of a special liquidity facility against certain securities classified as Level 1 high quality liquid assets. The facility, called the Facility to Avail Liquidity for Liquidity Coverage Ratio, is operated by the Reserve Bank of India. Access to the facility is included in a bank's liquidity coverage ratio. Although the statutory liquidity ratio is not a part of the Basel III liquidity standards, a portion of a bank's statutory liquidity ratio securities may be recognized as high quality liquid assets under the Reserve Bank of India's liquidity coverage ratio guidelines.

The Reserve Bank of India permits banks to recognize as level one high quality liquid assets under the liquidity coverage ratio, statutory liquidity ratio securities having a value of up to (i) 2.0% of a bank's net demand and time liabilities, for securities eligible for availing liquidity under the Reserve Bank of India's Marginal Standing Facility; (ii) an additional 5.0% of a bank's net demand and time liabilities, for securities eligible for availing liquidity under the Reserve Bank of India's Facility to Avail Liquidity for Liquidity Coverage Ratio and (iii) 3.0% of net demand and time liabilities under the Facility to Avail Liquidity for Liquidity Coverage Ratio within the mandatory statutory liquidity ratio requirement, which was further increased to 4.0% in July 2016. Thus, a total of 11.0% of net demand and time liabilities comprising statutory liquidity ratio securities would be available for banks to recognize as level one high quality liquid assets. Statutory liquidity ratio securities include certain Indian state government securities that would also qualify as

level one high quality liquid assets under the Reserve Bank of India guidelines, while the Basel III liquidity standards include only national sovereign securities. Banks in India generally hold a significant proportion of their statutory liquidity ratio securities in the form of investments in Indian central government securities which would qualify as level one high quality liquid assets under the Basel III standards.

Further, the Reserve Bank of India issued guidelines in March 2015 indicating that from January 1, 2016 onwards, the liquidity coverage ratio standard, liquidity risk monitoring tools and liquidity coverage ratio disclosure standards will be applicable to Indian banks on a consolidated basis.

### ***Net Stable Funding Ratio***

In May 2015, the Reserve Bank of India issued draft guidelines on the net stable funding ratio. The ratio promotes resilience over a longer term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis. According to the guidelines, net stable funding ratio is defined as the amount of available stable funding relative to the amount of required stable funding. Banks will be required to maintain a ratio of at least 100.0% on an ongoing basis. These guidelines are expected to be applicable from January 1, 2018.

### **Ownership Restrictions**

The government of India regulates foreign ownership in Indian banks. The total foreign ownership in a private sector bank, like us, cannot exceed 74% of the paid-up capital, and shares held by foreign institutional investors under portfolio investment schemes through stock exchanges cannot exceed 49% of the paid-up capital.

The Reserve Bank of India's acknowledgement is required for the acquisition or transfer of a bank's shares which will take the aggregate holding (direct and indirect, beneficial or otherwise) of an individual or a group to the equivalent of 5% or more of the bank's total paid-up capital. The Reserve Bank of India, while granting acknowledgement, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fitness and propriety tests. In determining whether the acquirer or transferee is fit and proper to be a shareholder, the Reserve Bank of India may take into account various factors including, but not limited to, the acquirer or transferee's integrity, reputation and track record in financial matters and compliance with tax laws, proceedings of a serious disciplinary or criminal nature against the acquirer or transferee and the source of funds for the investment. The Reserve Bank of India issued guidelines on ownership and governance in private sector banks in February 2005. The key provisions of the guidelines on ownership are:

· No single entity or group of related entities would be permitted to directly or indirectly hold or control more than 10.0% of the paid up equity capital of a private sector bank and any higher level of acquisition would require the

Reserve Bank of India's prior approval;

In respect of corporate shareholders, the objective will be to ensure that no entity or group of related entities has a shareholding in excess of 10.0% in the corporate shareholder. In the case of shareholders that are financial entities, the objective will be to ensure that it is widely held, publicly listed and well regulated;

The Reserve Bank of India may permit a higher level of shareholding in the case of the restructuring of problem banks or weak banks or in the interest of consolidation in the banking industry;

No single non-resident Indian can invest in excess of 5.0% of the paid-up capital of a private sector bank. The aggregate limit for investments by non-resident Indians is restricted to 10.0% of a private sector bank's paid-up capital and can be increased to 24.0% of the bank's paid-up capital by approval of its Board of Directors;

Banks would be responsible for compliance with the "fit and proper" criteria for shareholders on an ongoing basis; and

Banks where shareholders holdings are in excess of the prescribed limit would have to indicate a plan for compliance.

A legislation to amend the Banking Regulation Act making the prior approval of the Reserve Bank of India mandatory for the acquisition of more than 5.0% of a banking company's paid-up capital or voting rights by any individual or firm or group was passed by Parliament and notified in fiscal 2013. See also "*Overview of the Indian Financial Sector—Structural Reforms—Report on Governance of Boards of Banks in India*".

In February 2009, the government of India issued guidelines for calculation of total foreign investment, both direct and indirect, in Indian companies. Pursuant to this guideline, the foreign shareholding in an Indian company which is not majority-owned and controlled by Indian shareholders will be taken into account in computing the foreign shareholding in investee companies of such Indian company (other than investee companies in the insurance sector, for which there are separate specific regulations). Since foreign ownership up to 74.0% is permitted in Indian private sector banks, such as us, this would impact investments made by Indian private sector banks, including us, and their subsidiaries, in other companies. This would also require assessment of whether any of the Indian shareholders are to be reckoned for purposes of adherence to the foreign ownership limit of 74.0%. This does not, however, impact our investments in our subsidiaries.

In fiscal 2016, the government of India introduced a composite cap for foreign investments in Indian companies, including banks, thus merging the sub-limits in terms of direct investments and portfolio investments. The overall foreign ownership limit in banks continues to be 74.0%. Further, in May 2016, the Reserve Bank of India issued revised guidelines with regard to shareholding in private sector banks. As per the guidelines, non-financial corporate entities can have a shareholding up to 10.0% in private sector banks; non-diversified unlisted financial institutions can hold up to 15.0% and well-diversified listed financial institutions including the government can hold up to 40%. Voting rights are capped at 15.0%. However, any acquisition of shareholding/voting rights of 5.0% or more will require the prior approval of the Reserve Bank of India.

## **Holding Companies**

In the annual policy review for fiscal 2011, the Reserve Bank of India announced the formation of a working group, with representatives from the government, various regulatory authorities and banks, to draw a roadmap for the introduction of a holding company structure. The report of the working group was released in May 2011 with key recommendations favoring a financial holding company structure for the financial sector, particularly large financial groups, with a separate regulatory framework for these holding companies.

The Reserve Bank of India, in its guidelines for new private sector banking licenses, has mandated all new banks pursuant to the issuance of such licenses, to be set up under a financial holding company structure. See also "*Overview of the Indian Financial Sector—Structural Reforms—Discussion Paper on Banking Structure*".

## **Restrictions on Payment of Dividends**



The Banking Regulation Act requires banks to completely write off capitalized expenses and transfer 20.0% of the disclosed yearly profit to a reserve account before declaring a dividend.

Banks have to comply with the following prudential requirements to be eligible to declare dividends:

The capital adequacy ratio is at least 9.0% for the preceding two completed years and the accounting year for which the bank proposes to declare a dividend.

The net non-performing asset ratio is less than 7.0%.

The Bank is in compliance with the prevailing regulations and guidelines issued by the Reserve Bank of India, including the creation of adequate provision for the impairment of assets, staff retirement benefits, transfer of profits to statutory reserves, etc.

The proposed dividend will be paid out of the current year's profit.

Under the Reserve Bank of India's Basel III guidelines, banks are subject to higher minimum capital requirements and must maintain a capital conservation buffer above the minimum requirements to avoid restrictions on capital distribution. The capital conservation buffer would be implemented in a

phased manner beginning from March 31, 2016 and fully implemented by March 31, 2019 as prescribed by the Reserve Bank of India. The Reserve Bank of India has clarified that dividend payment by banks would be governed by the application of the above guidelines, once the capital conservation framework is in effect. In case a bank does not meet the capital adequacy norms for two consecutive years, but has a capital adequacy ratio of at least 9.0% for the accounting year for which it proposes to declare a dividend, it would be eligible to do so if its net non-performing asset ratio is less than 5.0%. Banks that are eligible to declare dividends under the above rules can do so subject to the following:

The dividend payout ratio (calculated as a percentage of dividend payable in a year to net profit during the year) must not exceed 40.0%. The maximum permissible dividend payout ratio would vary from bank to bank, depending on the capital adequacy ratio in each of the last three years and the net non-performing asset ratio.

In case the profit for the relevant period includes any extraordinary income, the payout ratio must be calculated after excluding that income for compliance with the prudential payout ratio.

The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualification by the statutory auditors, which might have an adverse effect on the profit during that year. In case there are any such qualifications, the net profit should be suitably adjusted while computing the dividend payout ratio.

### **Moratorium, Reconstruction and Amalgamation of Banks**

The Reserve Bank of India can apply to the government of India for suspension of business by a banking company. The government of India, after considering the application of the Reserve Bank of India, may order a moratorium staying commencement of action or proceedings against such company for a maximum period of six months. During such period of moratorium, the Reserve Bank of India may: (a) in the public interest; (b) in the interest of the depositors; (c) in order to secure the proper management of the bank; or (d) in the interests of the banking system of the country as a whole, prepare a scheme for the reconstruction of the bank or merger of the bank with any other bank. In circumstances entailing reconstruction of the bank or merger of the bank with another bank, the Reserve Bank of India invites suggestions and objections on the draft scheme prior to placing the scheme before the government of India for its approval. The central government may approve the scheme with or without modifications. The law does not require consent of the shareholders or creditors of such banks. The Reserve Bank of India has consolidated all regulations relating to amalgamation of private sector banks in the Master Direction - Amalgamation of Private Sector Banks, Directions, 2016.

### **Regulations on Mergers between Private Sector Banks and between Banks and Non-banking Finance Companies**

In May 2005, the Reserve Bank of India issued guidelines on mergers between private sector banks and between banks and non-banking finance companies. The guidelines particularly emphasize the examination of the rationale for mergers, the systemic benefits arising from it and the advantages accruing to the merged entity. With respect to a merger between two private sector banks, the guidelines require the draft scheme of merger to be approved by the shareholders of both banks with a two-thirds majority after approval by the boards of directors of the two banks concerned. The draft scheme should also consider the impact of the merger on the valuation, profitability and capital adequacy ratio of the amalgamating bank and verify that the reconstituted board conforms to the Reserve Bank of India norms. The approved scheme needs to be submitted to the Reserve Bank of India for valuation and approval in accordance with the Banking Regulation Act, along with other documentation such as the draft document of proposed merger, copies of all relevant notices and certificates, swap ratio, share prices, etc. With respect to a merger of a bank and a non-banking company, the guidelines specify that the non-banking financial company has to comply with Know Your Customer norms for all accounts and all relevant norms issued by the Reserve Bank of India and the Securities and Exchange Board of India. The non-banking finance company should also conform to insider trading norms issued by the Securities and Exchange Board of India, whether it is listed or not, in order to regulate the promoter's trading of shares before and after the merger discussion period. See also "*—Other Statutes—Competition Act*".

### **Credit Information Bureaus**

The Parliament of India has enacted the Credit Information Companies (Regulation) Act, 2005, pursuant to which every credit institution, including a bank, has to become a member of a credit information bureau and furnish to it such credit information as may be required of the credit institution by the credit information bureau about individuals or groups who enjoy a credit relationship with it. Other credit institutions, credit information bureaus and such other persons as the Reserve Bank of India specifies may access such disclosed credit information. The Reserve Bank of India is also seeking to strengthen the coverage and use of credit information and had set up a committee in this regard. The committee submitted its recommendations in March 2014 and recommendations included standardized data formats, for furnishing of credit information to credit information companies, common classification of credit scores and best practices to be followed by credit information companies. In June 2014, some of the recommendations were accepted by the Reserve Bank of India and guidelines were issued in this respect. Recently, in June 2016, the Reserve Bank of India issued guidelines requiring banks to share information on investments in commercial papers and unhedged foreign currency exposures of borrowers to the credit information companies.

### **Financial Stability and Development Council and Financial Sector Legislative Reforms Commission**

The Indian government set up an apex-level body called the Financial Stability and Development Council in fiscal 2011. This is an independent body that oversees regulation and strengthens mechanisms for maintaining financial stability. The institution monitors macro-prudential supervision of the economy and the functioning of large financial conglomerates addresses inter-regulatory coordination issues and focuses on financial literacy and financial inclusion activities. The government has also set up a Financial Sector Legislative Reforms Commission to review the financial sector laws and to bring them in line with the requirements of the sector. The commission submitted its report in March 2013 and has proposed an Indian Financial Code that consolidates different laws governing the financial sector. The framework incorporates components like consumer protection, regulation, capital controls, systemic risk and resolution. The Code also proposed the transition to a regulatory system where the Reserve Bank of India regulates the banking and payments system and of a Unified Financial Agency subsuming all other existing financial sector regulators like the Insurance Regulatory Development Authority of India and the Securities Exchange Board of India.

In August 2010, the parliament passed the Securities and Insurance Laws (Amendment and Validation) Bill, 2010, which provides a mechanism to settle disputes between regulators. A committee chaired by the Finance Minister, with the governor of the Reserve Bank of India as vice chairperson and chairpersons of the Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory of India and Development Authority and secretaries of the Department of Economic Affairs and Department of Financial Services would make the final decision on such disputes.

### ***Resolution Regime for Financial Institutions***

The Financial Stability and Development Council constituted a high level working group to consider the strengthening of the resolution regime for financial institutions. The working group submitted its report in May 2014. Some key recommendations of the group include setting up of an independent Financial Resolution Authority which would be responsible for implementation of the resolution framework in coordination with respective financial sector regulators.

The financial resolution framework should be legally enforceable and extend to all financial institutions including banks, non-banks and financial conglomerates. The framework identifies a set of tools like liquidation, purchase and assumption, and bail-in which involve converting existing creditors into shareholders, temporary public ownership, etc. The resolution framework should avoid use of taxpayers' money and ensure imposition of losses to shareholders and unsecured creditors. In case of financial institutions under distress and deemed to be systemically important, the government taking control of the financial institution can be a last option for resolution when all other options fail. In the Union Budget for fiscal 2017, the government has indicated that a comprehensive Code on Resolution of Financial Firms will be introduced as a bill in Parliament during fiscal 2017. This code will provide a specialized resolution mechanism to deal with bankruptcy situations in banks, insurance companies, and financial sector entities.

### **Regulations Governing Use of Business Correspondents**

To increase the outreach of banking and ensure greater financial inclusion, in January 2006 the Reserve Bank of India issued guidelines for the engagement of business correspondents by banks providing banking and financial services. Business correspondents are agents engaged by banks to provide banking services at locations other than a bank branch. Business correspondents offer a limited range of banking services at low cost, as setting up a brick and mortar branch may not be viable in all areas. Banks are required to take full responsibility

for the acts of omission and commission of the business correspondents that they engage and to conduct due diligence for minimizing agency risks. When the business correspondent model was introduced in January 2006, the entities permitted to act as business correspondents included individuals such as retired bank employees, retired teachers, individual owners of small, independent grocery stores, medical and fair price shops and certain other individuals. The non-individual entities included non-government organizations or microfinance institutions set up under Societies/Trust Acts, societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, not-for-profit companies and post offices. From September 2010, banks are also allowed to engage companies with large and widespread retail outlets and registered under the Companies Act, excluding non-banking financial companies, as business correspondents in addition to the individuals/entities permitted earlier. In June 2014, the Reserve Bank of India also permitted non-deposit taking non-banking financial companies to be appointed as business correspondents. Further, with a view to scale up the business correspondent channel, the Reserve Bank of India has issued guidelines in April 2014 requiring the board of banks to review the operations and payment of remuneration to business correspondents at least once every six months. In its monetary policy statement announced in April 2016, the Reserve Bank of India has proposed to create a registry of business correspondents.

### **Regulations governing mobile banking**

The Reserve Bank of India has permitted Indian banks to offer mobile banking services to their customers. These services are available only for Indian rupee based transactions in the domestic market. Transactions involving a debit to the customer's account should have a two level authentication to execute the transaction. In December 2014, the Reserve Bank of India issued guidelines requiring banks to provide easy registration for mobile banking services, including generation of the personal identification number (PIN) through multiple channels. In December 2015, the Reserve Bank of India required banks participating in the National Financial Switch to enable the capability of customer registration for mobile banking at all their ATMs by March 31, 2016.

### **Income Computation and Disclosure Standards**

In March 2015, the Central Board of Direct Taxes notified the Income Computation and Disclosure Standards (ICDS) which provides guidelines for computation of taxable income. These guidelines are not for the purpose of maintaining our books of accounts. These guidelines are applicable to all taxpayers, including us, that follow the accrual system of accounting for the purpose of computation of income. In case there is a conflict between the provisions of the Indian accounting standards and the income computation standards prescribed by the tax authority, the Indian accounting standards shall prevail. The broad areas covered by the guidelines issued by the tax authority include valuation of inventories, construction contracts, revenue recognition, tangible fixed assets, effects of changes in foreign exchange rates, government grants, securities, borrowing costs, contingent liabilities and assets, and relating to accounting policies. The guidelines were applicable from April 1, 2015. However, clarifications have been sought with regard to the implementation of these guidelines, and further details are awaited in this regard.

### **Requirements of the Banking Regulation Act**

***Prohibited Business***

The Banking Regulation Act specifies the business activities in which a bank may engage. Banks are prohibited from engaging in business activities other than the specified activities.

***Reserve Fund***

Any bank incorporated in India is required to create a reserve fund to which it must transfer not less than 25.0% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the Reserve Bank of India within 21 days, explaining the circumstances leading to such appropriation. The government of India may, on the recommendation of the Reserve Bank of India, exempt a bank from requirements relating to its reserve fund.

***Restriction on Share Capital and Voting Rights***

Banks can issue only ordinary shares. The Banking Regulation Act currently specifies that no shareholder in a banking company can exercise voting rights on poll in excess of 15.0% of total voting rights of all the shareholders of the banking company.

In 2006, the Indian Parliament amended the laws governing India's public sector banks permitting these banks to issue preference shares and make preferential allotments or private placements of equity. According to current provisions private sector banks in India are not permitted to issue preference shares. Legislation has been introduced in the Parliament to amend the Banking Regulation Act to allow all banks to issue redeemable and non-redeemable preference shares. Prior to the merger, ICICI had preference share capital of Rs. 3.5 billion redeemable in 2018. The government of India, on the recommendation of the Reserve Bank of India, had granted us an exemption which allowed the inclusion of preference capital in our capital structure until the maturity of these shares.

An amendment to the Banking Regulation Act in fiscal 2013 has increased the voting rights cap from 10.0% to 26.0% in a phased manner, subject to notification by the Reserve Bank of India. The Reserve Bank of India has notified a voting rights cap of 15.0%. See also "*Overview of the Indian Financial Sector—Structural Reforms—Amendments to the Banking Regulation Act*".

In November 2015, the Reserve Bank of India clarified that prior approval will be required for acquisition of shares or voting rights of 5.0% or more in private sector banks. Shareholders having 5.0% or more of the paid-up share capital of a private bank would have to give an annual declaration to the bank on their 'fit and proper' status. Approval of the Reserve Bank of India will not be required in case of fresh acquisitions by an existing major shareholder up to an aggregate holding of 10.0%.

### ***Restrictions on Investments in a Single Company***

No bank may hold shares, as a pledgee, mortgagee or absolute owner in any company other than a subsidiary, exceeding 30.0% of the paid up share capital of that company or 30.0% of its own paid up share capital and reserves, whichever is less. In December 2011, the Reserve Bank of India issued guidelines on banks' investments in non-financial services companies, under which equity investment by a bank in companies engaged in non-financial services activities was limited to 10% of the investee company's paid up share capital.

### ***Regulatory Reporting and Examination Procedures***

The Reserve Bank of India is responsible for supervising the Indian banking system under various provisions of the Banking Regulation Act, 1949 and the Reserve Bank of India Act, 1934. This responsibility is discharged by the Reserve Bank of India's Department of Banking Supervision for all scheduled commercial banks excluding regional



rural banks. The supervision framework is evolving over a period of time and the Reserve Bank of India has been progressively moving in line with Basel 'Core Principles for Effective Banking Supervision'. The existing supervisory framework has been modified towards establishing a risk based supervision framework.

This framework is intended to make the supervisory process for banks more efficient and effective, with the Reserve Bank of India applying differentiated supervision to each bank based on its risk profile. A detailed qualitative and quantitative assessment of the bank's risk is conducted by the supervisor on an on-going basis and a Risk Assessment Report is issued by the Reserve Bank of India. The Reserve Bank of India has designated a senior supervisory manager for the banks under this framework who will be the single point of contact for a designated bank.

We have been subject to supervision under this framework since fiscal 2013. The risk assessment report, along with the report on actions taken by us, has to be placed before our Board of Directors. On approval by our Board of Directors, we are required to submit the report on actions taken by us to the Reserve Bank of India. The Reserve Bank of India also discusses the report with our management team, including the Managing Director and CEO.

#### ***Appointment and Remuneration of the Chairman, Managing Director and Other Directors***

We are required to obtain prior approval of the Reserve Bank of India before we appoint our chairman, managing director and any other executive directors and fix their remuneration. The Reserve Bank of India is authorized to remove an appointee from the posts of chairman, managing director and other executive directors

on the grounds of public interest, interest of depositors or to ensure our proper management. Further, the Reserve Bank of India may order meetings of our Board of Directors to discuss any matter in relation to us, appoint observers to such meetings and in general may make such changes to the management as it may deem necessary and may also order the convening of a general meeting of our shareholders to elect new directors. We cannot appoint as a director any person who is a director of another banking company. The Reserve Bank of India has issued guidelines on “fit and proper” criteria for directors of banks. Our directors must satisfy the requirements of these guidelines.

On January 13, 2012, the Reserve Bank of India issued guidelines on the compensation of whole-time directors/chief executive officers/risk takers and control function staff of private sector and foreign banks operating in India. The guidelines include principles for effective governance of compensation, alignment of compensation with risk taking and effective supervisory oversight and engagement by stakeholders.

On June 1, 2015, the Reserve Bank of India issued guidelines on compensation of non-executive directors of private sector banks. According to the guidelines, the Board of Directors, in consultation with its remuneration committee, should formulate and adopt a comprehensive compensation policy for the non-executive directors (other than the part-time non-executive chairman). In the policy, the Board may provide for the payment of compensation in the form of a profit related commission, subject to the bank making profits. Such compensation should not exceed Rs. 1.0 million per annum for each director. Further, private sector banks have to obtain prior approval of the Reserve Bank of India for granting remuneration to the part-time non-executive chairman under Section 10B(1A)(i) and 35B of the Banking Regulation Act, 1949.

### ***Penalties***

The Reserve Bank of India may impose penalties on banks and their employees in case of infringement of regulations under the Banking Regulation Act. The penalty may be a fixed amount or may be related to the amount involved in any contravention of the regulations. The penalty may also include imprisonment.

### ***Assets to be Maintained in India***

Every bank is required to ensure that its assets in India (including import-export bills drawn in India and the Reserve Bank of India approved securities, even if the bills and the securities are held outside India) are not less than 75.0% of its demand and time liabilities in India.

### ***Restriction on Creation of Floating Charge***

Prior approval of the Reserve Bank of India is required for creating floating charge on our undertaking or property. Currently, all of our borrowings, including bonds, are unsecured.

### ***Maintenance of Records***

We are required to maintain books, records and registers. The Banking Regulation Act specifically requires banks to maintain books and records in a particular manner and file the same with the Registrar of Companies on a periodic basis. The provisions for production of documents and availability of records for inspection by shareholders as stipulated under the New Companies Act and the rules thereunder would apply to us as in the case of any company. The Know Your Customer Guidelines framed by the Reserve Bank of India also provide for certain records to be updated at regular intervals. As per the Prevention of Money Laundering Act, records of a transaction are to be preserved for five years (changed from ten years to five years in February 2013) from the date of the transaction between a customer and the bank. The Know-Your-Customer records are required to be preserved for a period of five years from the date of cessation of relationship with the customer. The Banking Companies (Period of Preservation of Records) Rules, 1985 requires such records to be preserved for eight years. The Banking Companies (Period of Preservation of Records) Rules, 1985 requires a bank's records of books, accounts and other documents relating to stock and share registers to be maintained for a period of three years.

### **Other Statutes**

#### ***Companies Act***

Companies in India, including banks, in addition to the sector-specific statutes and the regulations and guidelines prescribed by the sectoral regulators, are required to comply with relevant provisions of the Companies Act 1956. In 2013, the Indian Parliament enacted the new Companies Act, 2013, including, among other things, provisions to make independent directors more accountable, improve corporate governance practices and make corporate social responsibility mandatory for companies above a certain size and require them to spend a minimum of 2% of the average net profits of the preceding three years for corporate social responsibility initiatives. Any shortfall in this regard is required to be explained in the annual report. A substantial part of the rules for implementation of the Companies Act, 2013 have been notified and are effective from April 1, 2014.

### ***Competition Act***

The Competition Act 2002 established the Competition Commission of India with the objective of promoting competition, preventing unfair trade practices and protecting the interest of consumers. The Competition Act prohibits anti-competitive agreements and abuse of market dominance, and requires the approval of the Competition Commission for mergers and acquisitions involving companies above a certain size. Further, the Competition (Amendment) Bill 2012, to amend the Competition Act 2002, was introduced in the lower house of Parliament in December 2012. The Bill aimed to widen the scope from the enterprise level to the group level in identify abuse of dominance, give the government of India the flexibility to specify thresholds for mergers to be regulated under such Act, and make it mandatory for sector-specific regulators to take the views of the Competition Commission of India on mergers and acquisitions in their respective sectors. The bill was later referred to the Standing Committee on Finance, which submitted its report in February 2014. The bill has since lapsed following the dissolution of the Parliament in May 2014 and has not been reintroduced so far by the new government.

### **Secrecy Obligations**

Our obligations relating to maintaining secrecy arise out of common law principles governing our relationship with our customers. We cannot disclose any information to third parties except under clearly defined circumstances. The following are the exceptions to this general rule:

- where disclosure is required to be made under any law;
- where there is an obligation to disclose to the public;
- where we need to disclose information in its interest; and
- where disclosure is made with the express or implied consent of the customer.

We are also required to disclose information if ordered to do so by a court. The Reserve Bank of India may, in the public interest, publish the information obtained from the bank. Under the provisions of the Banker's Books Evidence Act, a copy of any entry in a bankers' book, such as ledgers, day books, cash books and account books certified by an officer of the bank may be treated as prima facie evidence of the transaction in any legal proceeding.

### **Regulations Governing Offshore Banking Units**

The government and the Reserve Bank of India have permitted banks to set up offshore banking units in Special Economic Zones, which are specially delineated duty-free enclaves deemed to be foreign territory for the purpose of trade operations, duties and tariffs. We have an offshore banking unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai. The key regulations applicable to offshore banking units include, but are not limited to, the following:

No separate assigned capital is required. However, the parent bank is required to provide a minimum of US\$10 million to its offshore banking unit.

- Offshore banking units are exempt from cash reserve ratio requirements.

The Reserve Bank of India may exempt a bank's offshore banking unit from statutory liquidity ratio requirements on specific application by the bank.

An offshore banking unit may not enter into any transactions in foreign exchange with residents in India, unless such a person is eligible to enter into or undertake such transactions under the Foreign Exchange Management Act.

- All prudential norms applicable to overseas branches of Indian banks apply to offshore banking units.

Offshore banking units are required to adopt liquidity and interest rate risk management policies prescribed by the Reserve Bank of India in respect of overseas branches of Indian banks as well as within the overall risk management and asset and liability management framework of the bank subject to monitoring by the bank's board of directors at prescribed intervals. Further, the bank's board would be required to set comprehensive overnight limits for each currency for these branches, which would be separate from the open position limit of the parent bank.

Offshore banking units may raise funds in convertible foreign currency as deposits and borrowings from non-residents including non-resident Indians but excluding overseas corporate bodies.

- Offshore banking units may operate and maintain balance sheets only in foreign currency.

The loans and advances of offshore banking units would not be reckoned as net bank credit for computing priority sector lending obligations.

Offshore banking units must follow the Know Your Customer guidelines and must be able to establish the identity and address of the participants in a transaction, the legal capacity of the participants and the identity of the beneficial owner of the funds.

The Special Economic Zone Act, 2005 permitted offshore banking units to additionally undertake the following activities:

- lend outside India and take part in international syndications/consortiums on par with foreign offices;
- invest in foreign currency denominated debt of Indian units; and
- extend facilities to subsidiaries/units of Indian entities, located outside India.

### **Regulations governing banking units in International Financial Services Centers in India**

In March 2015, the Reserve Bank of India issued guidelines relating to Indian banks setting up banking units in International Financial Services Centers in India. According to the guidelines, public and private sector banks dealing in foreign exchange would be permitted to set up one banking unit in each international financial services center in India. Banks will have to take prior approval of the Reserve Bank of India for opening a banking unit, and this will be treated on par with a foreign branch of an Indian bank. The minimum capital requirement for these banking units would be US\$20 million. Funds raised by the banking units, including borrowings in foreign currency, would have to be from persons not resident in India. Deployment of funds can be with both persons resident in India as well as not resident in India. Liabilities of these units would be exempted from cash reserve ratio and the statutory liquidity ratio. The banking units will have to maintain the minimum regulatory capital as prescribed by the Reserve Bank of India and prudential norms applicable to overseas branches of Indian banks would apply to these banking units. The banking units would operate and maintain their balance sheet only in foreign currency and will not be allowed to deal in Indian rupees, except having a special rupee account for administrative expenses. The loans and advances of these banking units would not be reckoned for priority sector lending requirements.

### **Consolidated Supervision Guidelines**

In fiscal 2003, the Reserve Bank of India issued guidelines for consolidated accounting and consolidated supervision for banks. These guidelines became effective April 1, 2003. The principal features of these guidelines are:

*Consolidated Financial Statements:* Banks are required to prepare consolidated financial statements intended for public disclosure.

*Consolidated Prudential Returns:* Banks are required to submit to the Reserve Bank of India consolidated prudential returns reporting their compliance with various prudential norms on a consolidated basis, excluding insurance subsidiaries and group companies engaged in businesses not pertaining to financial services. Compliance on a consolidated basis is required in respect of the following main prudential norms:

· single borrower exposure limit of 15.0% of capital funds (20.0% of capital funds, provided that the additional exposure of up to 5.0% is for the purpose of financing infrastructure projects);

· borrower group exposure limit of 40.0% of capital funds (50.0% of capital funds, provided that the additional exposure of up to 10.0% is for the purpose of financing infrastructure projects);

· deduction from Tier 1 capital of the bank of any shortfall in capital adequacy of a subsidiary for which capital adequacy norms are specified; and

· consolidated capital market exposure limit of 40.0% of consolidated net worth with a direct investment limit of 20.0% of consolidated net worth.

See also “*Business—Loan Portfolio—Loan Concentration*”.

In June 2004, the Reserve Bank of India published the report of a working group on the monitoring of financial conglomerates, which proposed the following framework:

- identification of financial conglomerates that would be subjected to focused regulatory oversight;
- monitoring intra-group transactions and exposures and large exposures of the group to outside counter parties;
- identifying a designated entity within each group that would collate data in respect of all other group entities and furnish the same to its regulator; and



formalizing a mechanism for inter-regulatory exchange of information.

The framework covers entities under the jurisdiction of the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India and the National Housing Bank and would in due course be extended to entities regulated by the proposed Pension Fund Regulatory and Development Authority. The Reserve Bank of India has identified us and our related entities as a financial conglomerate with ICICI Bank as the designated entity responsible for reporting to the Reserve Bank of India.

In March 2013, financial sector regulators the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India and the Pension Fund Regulatory and Development Authority, signed a memorandum of understanding to cooperate in the field of consolidated supervision and monitoring of financial conglomerates.

### **Regulations and Guidelines of the Securities and Exchange Board of India**

The Securities and Exchange Board of India was established to protect the interests of public investors in securities and to promote the development of and to regulate the Indian securities market. We and our subsidiaries and affiliates are subject to the Securities and Exchange Board of India regulations for public capital issuances, private placements as well as underwriting, custodian, depository participant, investment advisory, private equity, broking, asset management, banker to the issue and debenture trusteeship activities.

These regulations provide for our registration with the Securities and Exchange Board of India for each of these activities, functions and responsibilities. We and our subsidiaries are required to adhere to codes of conduct applicable for these activities.

### **Special Status of Banks in India**

The special status of banks is recognized under various statutes including the Sick Industrial Companies Act, 1985, Recovery of Debts Due to Banks and Financial Institutions Act, 1993, and the SARFAESI Act. As a bank, we are entitled to certain benefits under various statutes including the following:

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or Public Financial Institution or to a consortium of banks and Public Financial Institutions. Under this Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon establishment of the Debt Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by this Act, except the higher courts in India in certain circumstances.

The Sick Industrial Companies Act, 1985, (“SICA”), provides for referral of sick industrial companies to the Board for Industrial and Financial Reconstruction. Under this Act, other than the Board of Directors of a company, a scheduled bank (where it has an interest in the sick industrial company by any financial assistance or obligation, rendered by it or undertaken by it) may refer the company to the Board of Industrial and Financial Reconstruction (“BIFR”). The SICA has been repealed by the Sick Industrial Companies (Special Provisions) Repeal Act, 2004 (“SICA Repeal Act”). However, the SICA Repeal Act, which is due to come into force on a date to be notified by the central Government in the official gazette, has not yet been notified. On the repeal becoming effective, the provisions of the Companies Act will apply in relation to “sick” companies, under which the reference must be made to the National Company Law Tribunal, in place of the BIFR.

The SARFAESI Act focuses on improving the rights of banks and financial institutions and other specified secured creditors as well as asset reconstruction companies by providing that such secured creditors can take over management control of a borrower company upon default and/or sell assets without the intervention of courts, in accordance with the provisions of the SARFAESI Act.

### **Taxation**

The Government has proposed major reforms in Indian tax laws, namely the goods and services tax and the provisions relating to General Anti Avoidance Rule (GAAR). While the implementation of the goods and services tax is awaited, the implementation of GAAR has been deferred to fiscal 2018. Under the goods and services tax reforms, it has been proposed to introduce unified goods and services tax structures to expand the tax base, rationalize the input tax credit and harmonize the current multiple taxation laws in India. The goods and services tax would replace the indirect taxes

on goods and services such as central excise duty, service tax, customs duty, central sales tax, state value added tax, surcharge and excise currently being collected by the central and state governments. The government has indicated that it is committed to a smooth transition to goods and services tax and will endeavor to resolve all issues during the year to enable its introduction. The implementation of goods and services tax is now targeted during fiscal 2018.

The GAAR provisions would apply to arrangements declared as “impermissible avoidance arrangements”, which is defined to mean an arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm’s length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including the denial of tax benefit or a benefit under the tax treaty.

### **Income Tax Benefits**

As a banking company, the Bank is entitled to certain tax benefits under the Indian Income-tax Act. We are allowed a deduction of up to 20% of the profits derived from the business of providing long-term finance

(defined as loans and advances extended for a period of not less than five years) computed in the manner specified under the Indian Income-tax Act and carried to a Special Reserve account. The deduction is allowed subject to the aggregate of the amounts transferred to the Special Reserve Account for this purpose from time to time not exceeding twice our paid-up share capital and general reserves. The amount withdrawn from such a Special Reserve Account would be chargeable to income tax in the year of withdrawal, in accordance with the provisions of the Income-tax Act. In accordance with the guidelines issued by the Reserve Bank of India in December 2013, banks are required to create deferred tax liability on the special reserve on a prudent basis. The deferred tax liability up to March 31, 2013 was permitted to be directly adjusted through reserves and from fiscal year ended March 31, 2014 onwards to be charged through the profit and loss account.

### **Regulations Governing Insurance Companies**

ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, our subsidiaries offering life insurance and non-life insurance, respectively, are subject to the provisions of the Insurance Act, 1938 and subsequent rules and amendments notified, and the various regulations prescribed by the Insurance Regulatory and Development Authority of India. These regulations regulate and govern, among other things, registration as an insurance company, investment, solvency margin requirements, licensing of insurance agents, advertising, sale and distribution of insurance products and services and protection of policyholders' interests.

In May 2002, the Indian Parliament approved the Insurance (Amendment) Act 2002, which facilitates the appointment of corporate agents by insurance companies and prohibits intermediaries and brokers from operating as surrogate insurance agents. In March 2015, the Insurance Laws (Amendment) Act, 2015, was enacted, which, inter alia, raised the foreign shareholding limit in insurance companies from 26.0% to 49.0%, while requiring the companies to be Indian owned and controlled. The amendment also eliminated the earlier policy requiring promoters to reduce their stake to 26.0% after completion of 10 years of operations.

The Insurance Regulatory and Development Authority of India periodically issues guidelines pertaining to life insurance business. In fiscal 2011, the Insurance Regulatory and Development Authority of India changed the regulations relating to unit-linked life insurance products. Subsequently, the Insurance Regulatory and Development Authority of India also issued revised regulations relating to non-linked life insurance products, which became effective during fiscal 2014. The key changes related to commissions payable to agents and distributors, lapse of policies, surrender values and minimum death benefits. In August 2015, the Insurance Regulatory and Development Authority of India issued regulations on registration of corporate agents for the sale of insurance products where an agent can tie up with up to three insurance companies each in life, non-life and health insurance sectors.

The Insurance Regulatory and Development Authority of India has released draft guidelines on the payment of commissions and rewards to agents and insurance intermediaries. The draft guidelines lay down the maximum commission and reward payable for different lines of business. Draft guidelines on management expenses (all expenses in the nature of operating expenses including commission, remuneration to the insurance agents, intermediaries and insurance intermediaries) have also been released. The draft suggests limiting management

expenses separately for different lines of business and lays down the maximum limit for the same. Discussions on both of these draft guidelines are ongoing and final guidelines are awaited.

In fiscal 2007, the general insurance industry in India was de-tariffed and insurance premiums were freed from price controls. Further, in accordance with the Insurance Regulatory and Development Authority's order dated March 12, 2011, all general insurance companies in India were required to provide for losses on the third party motor pool (a multilateral arrangement for insurance in respect of third-party claims against commercial vehicles, the results of which are shared by all general insurance companies in proportion to their overall market share) at a provisional rate of 153.0% from fiscal 2008 to fiscal 2011, as compared to the earlier loss rate of 122.0% to 127.0%. This upward revision of the loss rates for the previous years impacted the profitability of the general insurance companies for fiscal 2012. Insurance Regulatory and Development Authority of India relaxed the solvency requirement for insurers to 1.3 at March 2012 and 1.4 at March 2013.

The solvency margin required at March 2014 and at all times thereafter is 1.5. In fiscal 2012, the Insurance Regulatory and Development Authority ordered the dismantling of the motor pool and advised that motor pool liabilities be recognized as per the loss rates estimated by the General Actuaries Department of the United Kingdom, for all underwriting years from fiscal 2008 to fiscal 2012. Further, a Declined Risk Pool was created under which insurers would cede only those policies to the pool that they would not consider

underwriting themselves. Insurers have been mandated to underwrite motor pool policies to the extent of the sum of 50.0% of their share in total gross premium and 50% share in total motor premium. Any shortfall against this requirement will be allocated to the insurers from the Declined Risk Pool. Additionally, only specific third-party insurance premiums is pooled as against the earlier approach of ceding all third-party premiums. Accordingly, under this approach, the size of the pool is expected to decline substantially and the allocation of losses to individual insurers will be based on their ability to meet the mandated targets. See also “*Risk Factors—Risks Relating to Our Business—The regulatory environment for financial institutions is facing unprecedented change in the post-financial crisis environment*”.

Under the Insurance Act and regulations issued by the Insurance Regulatory and Development Authority of India, any increase in the shareholding of any investor in an insurance company beyond 5.0%, and any transfer of shareholding in excess of 1.0%, requires the prior approval of the Insurance Regulatory and Development Authority of India. Further, the Insurance Regulatory and Development Authority of India has issued draft guidelines for listed insurance companies which are proposed to be applicable to insurers who are in the process of getting their shares listed on stock exchanges. The draft guidelines, among other things, propose self-certification of fit and proper criteria by a person intending to acquire equity shares of an insurer amounting to 1% or more, but less than 5%, of the paid up equity share capital of the insurer, which shall be considered as a deemed approval by the Insurance Regulatory and Development Authority of India.

In May 2016, the Insurance Regulatory and Development Authority of India issued revised corporate governance guidelines which are applicable from fiscal 2017. The governance framework includes the board of directors, key management personnel, constitution of various committees such as the policyholder protection committee, defines the role of appointed actuaries, appointment of auditors and relationship with stakeholders. The guidelines also provide certain disclosure requirements in relation to financial statements, including quantitative and qualitative information on financial and operating ratios, actual solvency margin vis-a-vis required margins, a description of the risk management architecture, payments made to group entities from the policyholders’ funds and pecuniary relationships with the non-executive directors.

### **Regulations Governing Mutual Funds**

ICICI Prudential Asset Management Company, our asset management subsidiary, is subject to provisions of the Securities and Exchange Board of India (Mutual Fund) Regulations 1996, as amended from time to time. These regulations regulate and govern, among other things, registration as a mutual fund, restrictions on business activities of an asset management company, process for launching of mutual fund schemes, investment objectives and valuation policies and pricing. In June 2009, the Securities and Exchange Board of India issued guidelines stating that mutual funds could not charge any entry load to investors investing in mutual fund schemes. In August 2009, the Securities and Exchange Board of India issued guidelines directing mutual funds to ensure parity of exit loads charged across various unit holder groups.

From fiscal 2015, the tax on long-term capital gains was increased from 10.0% to 20.0% on redemption of debt mutual fund units. The period for defining long-term was also revised from 12 months to 36 months. Further, in March 2015, the Association of Mutual Funds of India introduced a cap of 100 basis points on upfront commission for all mutual fund schemes. This is effective from April 1, 2015. Exemption from service tax stands withdrawn in relation to services provided by mutual fund agent/distributor to mutual funds or asset management companies with effect from April 1, 2015. Service tax is payable under reverse charge mechanism by mutual funds or asset management companies.

### **Regulations Governing International Operations**

Our international operations are governed by regulations in the countries in which we have a presence. Further, the Reserve Bank of India has notified that foreign branches or subsidiaries of Indian banks can offer structured financial and derivative products, which are not permitted in the domestic market, only at established financial centers outside India, such as New York, London and Singapore. At other centers, the branches and subsidiaries of Indian banks can only offer those products permissible in the domestic market. For undertaking activities not permitted in the domestic market at these centers, banks will have to obtain approval from the Reserve Bank of India.

### ***Overseas Banking Subsidiaries***

Our wholly owned subsidiary in the United Kingdom, ICICI Bank UK PLC, is authorized and regulated by the Prudential Regulation Authority and Financial Conduct Authority. The UK subsidiary has established a branch in Antwerp, Belgium and in Frankfurt, Germany under the European Union Passporting arrangement.

Our wholly owned subsidiary in Canada, ICICI Bank Canada (a Schedule II Bank in Canada), is regulated by the Office of the Superintendent of Financial Institutions, which provided it with an order to commence and carry on business on November 25, 2003.

### ***Offshore Branches***

The Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended, and rules issued thereunder, permit a branch located outside India of a bank incorporated or constituted in India to borrow in foreign currency in the normal course of its banking business outside India, subject to the directions or guidelines issued by the Reserve Bank of India from time to time and the regulatory authority of the country where the branch is located.

Our Singapore branch is currently engaged in corporate and institutional banking, private banking, retail banking and treasury-related activities. In April 2010, the Monetary Authority of Singapore granted the Singapore branch Qualified Full Banking privileges which entitled us to take retail deposits. In Bahrain, we have a retail branch, regulated by the Central Bank of Bahrain. The Bahrain branch is permitted to transact banking business with approved financial institutions within Bahrain, individuals or institutions outside Bahrain. It is also permitted to offer banking services to non-resident Indians in Bahrain. Our branch in Hong Kong is regulated by the Hong Kong Monetary Authority and is permitted to undertake banking business with certain restrictions. Our branch in Sri Lanka is regulated by the Central Bank of Sri Lanka. Our branch in the Dubai International Financial Centre is regulated by the Dubai Financial Services Authority and is licensed to engage with professional clients in or from the Dubai International Financial Centre (DIFC). The Qatar Financial Centre Regulatory Authority regulates our branch in Qatar Financial Centre (QFC). Our branch in New York is regulated by the Federal Reserve Board and the Office of the Comptroller of the Currency. In addition, we also have an Offshore Banking Unit located in the Santacruz Electronic Exports Promotion Zone, Mumbai and an IFSC Banking Unit at Office E-2 & E-4 (Unit No.18 & 20), Zonal Facility Centre (ZFC) Annexe, Gujarat International Finance Tec-City - Multi-Services-Special Economic Zone, Gandhinagar, Gujarat. In fiscal 2016, we have upgraded a representative office to a branch in Shanghai, China. The branch will be regulated by the China Banking Regulatory Commission. We have also upgraded a representative office in South Africa into a branch which is regulated by the South Africa Reserve Bank.

### ***Representative Offices***

Our representative offices in United Arab Emirates, Bangladesh, Malaysia and Indonesia are regulated by the respective regulatory authorities.



***Foreign Account Tax Compliance Act (FATCA)***

The government of India entered into a Model 1 intergovernmental agreement with respect to FATCA with the United States. ICICI Bank has registered with the Internal Revenue Service in the United States. In addition, the United States has entered into Model 1 intergovernmental agreements with respect to FATCA with Singapore, the United Arab Emirates, Qatar and South Africa and reached a similar agreement in substance with Bahrain, and a Model 2 intergovernmental agreement with respect to FATCA with Hong Kong. ICICI Bank intends to comply with the terms of applicable intergovernmental agreements with respect to FATCA and any regulations issued thereunder.

***Common Reporting Standards (CRS)***

The Common Reporting Standard formally referred to as the Standard for Automatic Exchange of Financial Account Information, is an information standard for the automatic exchange of information, developed in the context of the Organization for Economic Co-operation and Development. India is one of the very few countries that have adopted a common approach for implementation of FATCA and CRS. In India requirements under FATCA/CRS are implemented by the Central Board of Direct Taxes.

## Exchange Controls

### Restrictions on Conversion of Rupees

There are restrictions on the conversion of rupees into dollars. Before February 29, 1992, the Reserve Bank of India determined the official value of the rupee in relation to a weighted basket of currencies of India's major trading partners. In the February 1992 budget, a new dual exchange rate mechanism was introduced by allowing conversion of 60% of the foreign exchange received on trade or current account at a market-determined rate and the remaining 40% at the official rate. All importers were, however, required to buy foreign exchange at the market rate except for certain specified priority imports. In March 1993, the exchange rate was unified and allowed to float. In February 1994 and again in August 1994, the Reserve Bank of India announced relaxations in payment restrictions in the case of a number of transactions. Since August 1994, the government of India has substantially complied with its obligations owed to the International Monetary Fund, under which India is committed to refrain from using exchange restrictions on current international transactions as an instrument in managing the balance of payments. Effective July 1995, the process of current account convertibility was advanced by relaxing restrictions on foreign exchange for various purposes, such as foreign travel and medical treatment.

The Foreign Exchange Management Act, 1999 regulates transactions involving foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India. The Foreign Exchange Management Act, 1999 has substantially eased the restrictions on current account transactions (with a few exceptions). However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies. The Reserve Bank of India has also permitted authorized dealers to freely allow remittances by individuals up to US\$ 250,000, increased from the earlier limit of US\$ 125,000 in February 2015, subject to certain restrictions per financial year for any permissible current or capital account transactions or a combination of both, under the Liberalized Remittance Scheme.

### Restrictions on Sale of the Equity Shares underlying ADSs and Repatriation of Sale Proceeds

There are no end-use restrictions on ADR issue proceeds except for the real estate sector and stock markets, in which investment of ADR issue proceeds is prohibited.

An ADR holder is entitled to hold or transfer ADRs or redeem them into underlying ordinary shares with the option to continue holding ordinary shares. ADR holders are entitled to same bonus and rights issue as any ordinary shareholder of the company.

ADSs issued by Indian companies to non-residents have free convertibility outside India. Under current Indian regulations there is a general permission for the sale/transfer of equity shares underlying ADSs obtained after conversion of ADRs by a person not resident in India to a resident of India if the sale is proposed to be made through a recognized stock exchange or when the underlying shares are being sold in terms of an offer made under Securities Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations. For all other cases of sale of shares underlying the ADRs, permission of the Reserve Bank of India is required.

If a sale of securities has taken place in terms of the Reserve Bank of India guidelines and other applicable regulations, as briefly described in the previous paragraph, then provided (i) the securities were held on repatriation basis, (ii) the shares were sold on a recognized stock exchange in India through a stock broker at the ruling market price as determined on the floor of the exchange and (iii) a no objection/tax clearance certificate from income tax authority had been obtained, the sale proceeds may be freely remitted.

After the announcement of India's budget for fiscal 2002, the Reserve Bank of India issued certain notifications for the liberalization of the capital account. Pursuant to the notifications, in contrast to prior regulations, limited two-way fungibility in ADS/GDR issues of Indian companies was introduced, subject to sectoral caps, wherever applicable.

On May 12, 2015, a new edition of Consolidated Foreign Direct Investment Policy came into effect, to further liberalize FDI, which is a capital account transaction.

Following an amendment to the regulations on transfer or issue of security by a person resident outside India, under the Foreign Exchange Management Act, 1999, a domestic custodian in India is permitted to

purchase shares of any Indian company on behalf of a person resident outside India, for the purpose of converting the shares so purchased into ADSs, provided that:

the shares are purchased on a recognized stock exchange;

the Indian company has issued ADSs;

the shares are purchased with the permission of the custodian of ADSs of the concerned Indian company and are deposited with the custodian;

the number of shares so purchased shall not exceed the number of ADSs converted into underlying shares and shall be subject to sectoral caps as applicable; and

the non-resident investor, broker, custodian and the overseas depository comply with the provisions of the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued there under by the government of India from time to time.

The Operative Guidelines for Disinvestment of Shares by the Indian Companies in the Overseas Market through the Issue of ADRs/GDRs were notified by the Government of India, Ministry of Finance vide notification No.15/23/99-NRI on July 29, 2002. Under these guidelines, the shareholders may divest their holdings in the overseas market through the mechanism of a sponsored ADS issue by the Indian company. The holdings which may be divested are holdings in Indian companies which are listed either in India or on an overseas exchange. The divestment process is initiated when the Indian company whose shares are being offered for divestment in the overseas market sponsors an ADS issue against the block of existing shares offered by the shareholders under these guidelines. Such ADS issues against existing shares offered by shareholders under the aforesaid guidelines. The proceeds of ADS issue raised abroad shall be repatriated into India within a period of one month of the closure of such issue.

Such ADR/GDR issue against existing shares arising out of divestment must also comply with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 1997, if ADSs are cancelled and the underlying shares are to be registered with the company. Such divestment would result in foreign equity investment and would also need to conform to the foreign direct investment sectoral policy. All mandatory approvals including those under the Companies Act, 1956 or Companies Act, 2013 (as applicable) would have to be obtained prior to the issue. Further, approval of the Foreign Investment Promotion Board for foreign equity induction through the offer of existing shares under the ADR/GDR route would also have to be obtained. Also, divestment inducing foreign equity would need to be in conformity with the FDI sectoral policy and the applicable sectoral cap.

The Reserve Bank of India has permitted Indian companies issuing ADSs to repatriate the proceeds of issue to India for deployment for the purposes permitted by the government of India; pending repatriation of issue proceeds to India, the Indian company may:

- invest the funds as an interim arrangement on short-term basis as deposits in foreign banks which are rated for short-term obligations A1+ by Standard and Poor's or P1 by Moody's or with the branches of Indian banks abroad; or
- keep the funds as foreign currency deposits with authorized dealers and/or public financial institutions in India; or
- invest in treasury bills and other monetary instruments with a maturity or unexpired maturity of one-year or less; or
- invest in certificate of deposit or other paper issued outside India by banks incorporated in India.

The Reserve Bank of India permits resident shareholders of Indian companies who offer their shares for conversion to ADSs to receive the sale proceeds in foreign currency. However, the conversion to such ADSs must have the approval of the Foreign Investment Promotion Board. Further, the sale proceeds received by residents on conversion of shares to ADSs under the approved sponsored ADR/GDR scheme are permitted to be credited to their Exchange Earners' Foreign Currency/Resident Foreign Currency (Domestic) accounts or to their rupee accounts in India at their option.

## Restriction On Foreign Ownership of Indian Securities

The Government of India strictly regulates ownership of Indian companies by foreigners. Foreign investment in securities issued by Indian companies, including the equity shares represented by ADSs, is governed by the Foreign Exchange Management Act, 1999, read with the rules, regulations and notifications issued thereunder. The Act authorizes the Reserve Bank of India to impose restrictions on inflow or outflow of the foreign exchange and provides that certain transactions cannot be carried out without the general or special permission of the Reserve Bank of India or the Foreign Investment Promotion Board. The Foreign Exchange Management Act, 1999 has eased restrictions on current account transactions. However, the Reserve Bank of India continues to exercise control over capital account transactions (i.e., those which alter the assets or liabilities, including contingent liabilities, of persons). The Reserve Bank of India has issued regulations under the Foreign Exchange Management Act, 1999 to regulate the various kinds of capital account transactions, including certain aspects of the purchase and issuance of shares of Indian companies.

The issue or transfer of any security of an Indian company by a person resident outside, foreign investment in Indian securities (shares, convertible debentures and warrants); exchange traded derivative contracts as well as issuance of rupee denominated shares for issuing ADSs, are all governed by applicable Foreign Exchange Management Act, 1999 regulations and shall be only in accordance with the terms and conditions specified under such regulations.

The foreign investment limit in Indian companies shall include, in addition to foreign direct investments, investment by Foreign Institutional Investors, Foreign Portfolio Investors, Qualified Foreign Investors, Non-Resident Indians, Foreign Currency Convertible Bonds, American Depository Receipts, Global Depository Receipts and convertible preference shares held by foreign entities.

Under the foreign investment rules, the following restrictions are applicable to non-resident ownership:

### Foreign direct investment

Foreign direct investment means investment by non-resident entity/person resident outside India in the equity shares/compulsorily convertible preference shares/compulsorily convertible debentures of an Indian company under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Outside India) Regulations, 2000.

The Regulations *inter-alia* provide for the following restrictions on foreign ownership for banks:

Foreign investors (including foreign institutional investors and foreign portfolio investors) may own up to 74.0% of our equity share capital subject to guidelines issued by the Reserve Bank of India from time to time. While foreign direct investment up to 49.0% is under automatic route and does not require any specific approval, foreign direct investment beyond 49.0% and up to 74.0% requires approval of the Foreign Investment Promotion Board. The aggregate foreign investment limit of 74.0% includes investments by way of foreign direct investments, ADSs, Global Depository Receipts and investment under the Portfolio Investment Scheme by foreign institutional investors and non-resident Indians, and also includes shares acquired by subscription to private placements and public offerings and acquisition of shares from existing shareholders. At least 26.0% of the paid-up capital would have to be held by Indian residents at all times, except in regard to a wholly owned subsidiary of a foreign bank.

A foreign bank may operate in India through only one of the three channels viz., (i) branches (ii) a wholly-owned subsidiary and (iii) a subsidiary with aggregate foreign investment up to a maximum of 74.0% in a private bank. A foreign bank will be permitted to establish a wholly-owned subsidiary either through conversion of existing branches into a subsidiary or through a fresh banking license. A foreign bank will be permitted to establish a subsidiary through acquisition of shares of an existing private sector bank provided at least 26.0% of the paid-up capital of the private sector bank is held by residents at all times. A subsidiary of a foreign bank will be subject to the licensing requirements and conditions broadly consistent with those for new private sector banks.

The Reserve Bank of India earlier released its roadmap for foreign banks in India. See also “*Overview of the Indian Financial Sector-Foreign Banks*”. The roadmap was divided into two phases. During the first phase, between March 2005 and March 2009, foreign banks were allowed to acquire a controlling stake in a phased manner only in private sector banks that are identified by the Reserve Bank of India for restructuring. The second phase was scheduled to

commence in April 2009 after a review of the experience gained and after due consultation with all the stakeholders in the banking sector. For new and existing foreign banks, it was proposed to go beyond the existing commitment to the World Trade Organization of allowing an increase of 12 branches per year. A more liberal policy was to be followed for under-banked areas. However, in April 2009, in view of the deterioration in the global financial markets, the Reserve Bank of India decided to put on hold the second phase until greater clarity emerged on recovery as well as the reformed global regulatory and supervisory architecture. In January 2011, the Reserve Bank of India released a discussion paper on the Presence of Foreign Banks in India. On November 6, 2013, the Reserve Bank of India released the framework for setting up of wholly owned subsidiaries by foreign banks in India. The Reserve Bank of India, in its second quarter monetary policy review announced in October 2013 has also proposed near national treatment for foreign banks, based on the principles of reciprocity and subsidiary mode of presence.

Under the Portfolio Investment Scheme:

Foreign institutional investors/sub-accounts of foreign institutional investors, subject to registration with the Securities and Exchange Board of India, may hold in aggregate up to 24.0% of paid-up equity capital. This limit may be raised to the sectoral cap/statutory ceiling of 74.0% in case of a private sector banking company, subject to

- i. resolution of the board of directors, a special resolution of the shareholders and prior notification to the Reserve Bank of India and provided that no single foreign institutional investor or approved sub-account of foreign institutional investors may own more than 10.0% of total paid-up equity capital on behalf of itself or its sub-accounts.

- ii. An individual non-resident Indian may hold up to 5.0% of total paid-up equity capital both on repatriation and non-repatriation basis and in aggregate, the shareholding of all non-resident Indians is restricted to 10% of our total paid-up capital. This aggregate limit may be raised to 24.0% of the total paid-up capital if a special resolution is passed at a general meeting of the shareholders of the company.

Overseas corporate bodies or OCBs are not permitted to invest under the Portfolio Investment Scheme, although they may continue to hold investments that have already been made under the Portfolio Investment Scheme until such time as these investments are sold on the stock exchange. Overseas corporate bodies are derecognized as a class of investor entity by the Reserve Bank of India under various routes and schemes under the foreign exchange regulations.

Foreign Portfolio Investment Scheme – Purchase of shares or convertible debentures or warrants

The Securities and Exchange Board of India introduced Foreign Portfolio Regulations, 2014 which repealed the SEBI (Foreign Institutional Investors), Regulations, 1995. Under the Foreign Portfolio Regulations, foreign institutional investors, sub-accounts and qualified foreign investors were merged into a new investor class called as foreign portfolio investors. A foreign portfolio investor registered with the Securities and Exchange Board of India can purchase shares or convertible debentures or warrants of an Indian company under the Scheme. The holding of an individual foreign portfolio investor is restricted to 10.0% of the total paid-up capital, and the aggregate limit for all foreign portfolio investors cannot exceed 24.0% of the total paid-up capital, which can be raised further up to the



sectoral limit of 74.0% of the total paid-up capital through a special resolution by the board of directors followed by a special resolution passed at a general meeting of the shareholders of the bank. The clubbing of investment limit of foreign portfolio investors is based on common Ultimate Beneficial Ownership. In case, the same investor/same set of end investors are constituents of two or more foreign portfolio investments and such investor(s) have a beneficial ownership of more than 50.0% in those foreign portfolio investments, the investment limit of such foreign portfolio investments shall be clubbed at the threshold prescribed for a single foreign portfolio investment. All such foreign portfolio investors will be treated as forming part of an investor group.

Transfer of shares or convertible debentures or warrants by a person resident outside India

A person residing outside India (other than a non-resident Indian and overseas corporate bodies) may transfer by way of sale or gift the shares or convertible debentures or warrants held by him or it to any person residing outside India. A non-resident Indian or overseas corporate bodies may transfer by way of sale or gift, the shares or convertible debentures or warrants held by him or it to another non-resident Indian or overseas corporate bodies only.

A person resident outside India holding the shares or convertible debentures or warrants of an Indian company in accordance with these Regulations,

(a) may transfer the same to a person resident in India by way of gift;

(b) may sell the same on a recognized stock exchange in India through a registered broker; or

(c) may sell the same to a person resident in India, without the prior permission of the Reserve Bank of India, subject to the adherence to pricing guidelines, documentation and reporting requirements for such transfers as may be specified by the Reserve Bank of India from time to time.

The Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of equity shares of a private sector bank, if such acquisition results in any person owning or controlling 5.0% or more of the paid-up capital of the bank, are also applicable to non-resident investors investing in our shares. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see *“Supervision and Regulation— Ownership Restrictions”*.

#### Issue of ADSs

Indian companies were permitted to raise foreign currency resources through the issuance of shares represented by ADSs to foreign investors under the Scheme for Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism), 1993 or the Depository Receipts Scheme 2014. Such issuance required approval from the Government of India; and was subject to sectoral cap, entry route, minimum capitalization norms, pricing norms, etc. as applicable as per the foreign direct investment regulations notified by the Reserve Bank of India from time to time.

An Indian company issuing ADSs must comply with certain reporting requirements specified by the Reserve Bank of India. An Indian company may issue ADSs if it is eligible to issue shares to persons resident outside India under the foreign direct investment scheme, and shall not exceed the limit on foreign holding of such eligible securities under the extant Foreign Exchange Management Act regulations, as amended from time to time. Similarly, an Indian company which is not eligible to raise funds from the Indian capital markets, including a company which has been restricted from accessing the securities market by the Securities and Exchange Board of India, will not be eligible to issue ADSs.

Investors do not need to seek specific approval from the Government of India to purchase, hold or dispose of ADSs. However, overseas corporate bodies as defined under applicable Reserve Bank of India regulations, which are not eligible to invest in India and entities prohibited to buy, sell or deal in securities by the Securities and Exchange Board of India are not eligible to subscribe to ADSs issued by Indian companies. Notwithstanding the foregoing, if any investor were to withdraw its equity shares from the ADS program, its investment would be subject to the general restrictions on foreign ownership noted above and may be subject to the portfolio investment restrictions. Secondary purchases of securities of a banking company in India by foreign direct investors or investments by non-resident Indians, overseas corporate bodies and foreign institutional investors above the ownership levels set forth above require the Indian government's approval on a case-by-case basis. It is unclear whether similar case-by-case approvals of ownership of equity shares withdrawn from the depository facility by non-resident Indians, overseas corporate bodies and foreign institutional investors would be required.

Furthermore, if an investor withdraws equity shares from the ADS program and its direct or indirect holding in us is equal to or exceeds 25.0% of our total equity, such investor may be required to make a public offer to the remaining shareholders under the Takeover Code. For more details on the Reserve Bank of India guidelines relating to acquisition by purchase or otherwise of shares of a private bank, see "*Supervision and Regulation—Ownership Restrictions*".

#### Depository Receipts Scheme, 2014

An eligible person may now, issue or transfer eligible securities to a foreign depository for the purpose of issuance of depository receipts in terms of Depository Receipts Scheme, 2014. However, depository receipts issued under the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 shall be deemed to have been issued under the corresponding provisions of the Depository Receipts Scheme 2014.

## Dividends

Under Indian law, a company pays dividends upon a recommendation by its Board of Directors and approval by a majority of the shareholders at the annual general meeting of shareholders held within six months from the end of each fiscal year. The shareholders have the right to decrease but not increase the dividend amount recommended by the Board of Directors. Dividends may be paid out of the company's profits for the fiscal year for which the dividend is declared or out of undistributed profits of prior fiscal years. Dividends can also be paid by a company in the interim period, termed "interim dividend" which does not require the approval of the shareholders unless it is combined with the final dividend being recommended by the Board of Directors. The Reserve Bank of India has stipulated that banks may declare and pay dividend out of the profits from the relevant accounting period, without prior approval of the Reserve Bank of India if they satisfy the minimum prudential requirements and subject to the prudential cap on dividend payout ratio prescribed in the guidelines issued in this regard by the Reserve Bank of India. See also "*Supervision and Regulation—Restrictions on Payment of Dividends*". Equity shares issued by us are pari passu in all respects including dividend entitlement.

ICICI Bank has paid dividends consistently every year from fiscal 1996, the second year of our operations. For fiscal 2012, we paid a dividend, excluding dividend tax, of Rs. 3.30 per equity share, aggregating to Rs. 19.0 billion in June 2012. For fiscal 2013, we paid a dividend, excluding dividend tax, of Rs. 4.00 per equity share, aggregating to Rs. 23.1 billion in June 2013. For fiscal 2014, we paid a dividend, excluding dividend tax, of Rs. 4.60 per equity share, aggregating to Rs. 26.6 billion in July 2014. For fiscal 2015, we paid a dividend, excluding dividend tax, of Rs. 5.00 per equity share, aggregating to Rs. 29.0 billion in June 2015. For Fiscal 2016, we paid a dividend, excluding dividend tax, of Rs. 5.00 per equity share, aggregating to Rs. 29.1 billion in July 2016.

The following table sets forth, for the periods indicated, the dividend per equity share and the total amount of dividends paid out on the equity shares during the fiscal year by ICICI Bank, each exclusive of dividend tax. This may be different from the dividend declared for the year.

Dividend paid during the fiscal year	Dividend per equity share	Total amount of dividends paid
	(Rs. in billions)	
2012	2.80	16.1
2013	3.30	19.0
2014	4.00	23.1
2015	4.60	26.6
2016	5.00	29.0

Dividend income is tax-exempt in the hands of shareholders. However, the Companies are liable to pay dividend distribution tax on distributed profits. For fiscal 2016, we paid dividend distribution tax at the rate of 20.358% (including surcharge and cess) on distributed profits.

Future dividends will depend upon our revenues, cash flow, financial condition, the regulations of the Reserve Bank of India and other factors. Owners of ADSs will be entitled to receive dividends payable in respect of the equity shares represented by such ADSs. The equity shares represented by ADSs rank pari passu with existing equity shares. At present, we have equity shares issued in India and equity shares represented by ADSs.

One equity share of Rs. 10 has been sub-divided into five equity shares of Rs. 2 each. Accordingly, dividend per equity share has been adjusted.

## Taxation

### Indian Tax

The following discussion of material Indian tax consequences to investors in ADSs and equity shares who are not resident in India, regardless of whether such investors are of Indian origin or not (each, a “non-resident investor”), is based on the provisions of the Indian Income-tax Act, 1961 (the “Income-tax Act”), including the special tax regime for ADSs contained in Section 115AC, which has been extended to cover additional ADSs that an investor may acquire in a merger or restructuring of the company, and certain regulations implementing the Section 115AC regime. The Income-tax Act is amended every year by the Finance Act of the relevant year. Some or all of the tax consequences described herein may be amended or modified by future amendments to the Income-tax Act. This summary is not intended to constitute a complete analysis of the tax consequences under Indian law of the acquisition, ownership and sale of ADSs and equity shares by non-resident investors. Holders should, therefore, consult their own tax advisers regarding the tax consequences of such acquisition, ownership and sale, including the tax consequences under Indian law, the law of the jurisdiction of their residence, any tax treaty between India and their country of residence, and in particular the application of the regulations implementing the Section 115AC regime.

### Residence

For the purposes of the Income-tax Act, an individual is a resident of India during any fiscal year if such individual (i) is in India in that year for 182 days or more or (ii) is in India for a period or periods aggregating 365 days or more during the four years preceding that fiscal year and periods aggregating 60 days or more in that fiscal year. The period of 60 days is replaced with 182 days in the case of an Indian citizen or person of Indian origin who, being resident outside India, comes on a visit to India during the fiscal year, or an Indian citizen who leaves India for purposes of employment or as a member of the crew of an Indian ship during the fiscal year. A company is resident in India in any fiscal year if it is an Indian company or its place of effective management in that year is in India. A firm or other association of persons is resident in India except where the control and the management of its affairs are situated wholly outside India.

### Taxation of Distributions

Dividends paid are not subject to tax in India in the hands of a recipient. However, we are required to pay Dividend Distribution Tax at the rate of 15% (plus the applicable surcharge of 12% and education cess of 3%) on the dividends paid/declared/distributed by us. Under Section 115-O(1A) of the Income-tax Act, dividends received by us on which our domestic subsidiaries have paid the dividend distribution tax under this Section or dividends received from our

offshore subsidiaries on which we have paid tax under Section 115BBD of the Income-tax Act, are deducted from the dividends paid/declared/distributed by us for the purpose of determining the dividend distribution tax payable by us. Dividend distribution tax is levied on the gross amount (including distribution tax) instead of the net amount distributed resulting in increase in dividend distribution tax rate to 20.358% (including the applicable surcharge and education cess).

#### Taxation on Exchange of ADSs

The receipt of equity shares upon the surrender of ADSs by a non-resident investor will not give rise to a taxable event for Indian tax purposes.

#### Taxation on Sale of ADSs or Equity Shares

Any transfer of ADSs outside India by a non-resident investor to another non-resident investor will not give rise to Indian capital gains tax in the hands of the transferor. Through Finance bill, 2014 it has been clarified that the income earned by Foreign Institutional Investors from portfolio investment will be considered as capital gains.

Subject to any relief under any relevant double taxation treaty, gain arising from the sale of an equity share will generally give rise to liability for Indian income tax in the hands of the transferor and tax will be required to be withheld at source. Gains will either be taxable as capital gains or as business income, depending upon the nature of holding. Where the equity share has been held for more than 12 months (measured from the date of advice of redemption of the ADS by the depository as specified below), the resulting long-term capital gains will be exempt from tax if the shares are traded on a recognized stock exchange and the securities transaction tax, described below, is paid on such sale. If the equity share has been held for 12 months or less, the resulting short-term capital gains will be taxable at a tax rate of 15% (plus the applicable surcharge and education cess).

This rate of tax is applicable provided the gains are treated as capital gains and provided the shares are sold on recognized Indian stock exchanges and are subject to securities transaction tax. In other cases, the rate of tax applicable under the provisions of the Income-tax Act varies, subject to a maximum rate of 40% (plus the applicable surcharge and education cess). The actual rate depends on a number of factors, including without limitation the nature of the non-resident investor.

The above rate may be reduced under the provisions of the double taxation treaty entered into by the government of India with the country of residence of the non-resident investors. The double taxation treaty between the United States and India (the "Treaty") does not provide U.S. residents with any relief from Indian tax on capital gains i.e. it will be taxable as per the local laws of India.

Further, if tax is deductible then investors are required to submit a valid Permanent Account Number, issued by the Indian Income Tax authorities, to the person responsible for deducting tax on capital gains or business income, otherwise tax will be deducted at the higher of (a) the rate specified in the relevant provisions of the Finance Act; (b) the rate or rates in force; or (c) 20%. In the Budget 2016, it is proposed that effective from June 1, 2016 any other document (as may be prescribed) would be allowed to be submitted in lieu of PAN for non-applicability of higher rate as mentioned above however the rules/notification prescribing the documents is still awaited.

A sale/purchase of equity shares entered into on a recognized stock exchange in India, whether settled by actual delivery or transfer, will be subject to Securities Transaction Tax in the hands of purchaser and seller at the rate of 0.1% on the value of the transaction at the time of sale. However, when settlement is done other than by actual delivery or transfer, it will be subject to STT in the hands of seller at the rate of 0.025% on the value of the transaction at the time of sale.

For purposes of determining the amount of capital gains arising on a sale of an equity share for Indian tax purposes, the cost of acquisition of an equity share received upon the surrender of an ADS will be the price of the share prevailing on the Bombay Stock Exchange or the National Stock Exchange on the date on which the depository advises the custodian of such event and not the acquisition cost of the ADS being surrendered. The holding period of an equity share received upon the surrender of an ADS will commence on the date of advice of such event by the depository.

## Rights

Distributions to non-resident customers of additional ADSs or equity shares or rights to subscribe for equity shares made with respect to ADSs or equity shares are not subject to Indian income tax in the hands of the non-resident investor.



It is unclear whether capital gains derived from the sale of rights outside India by a non-resident investor, that is not entitled to exemption under a tax treaty, to another non-resident investor will be subject to Indian capital gains tax. These rights, however, may be deemed by the Indian tax authorities to be situated within India (as our situs is in India), in which case, any gains realized on the sale of the rights will be subject to Indian capital gains taxation, in the manner discussed above under “—Taxation on Sale of ADS or Equity Shares”.

#### Stamp Duty

Upon the issuance of the equity shares underlying ADSs, we are required to pay a stamp duty of 0.1% of the issue price per share if the aggregate value of shares being issued does not exceed Rs. 1,000,000, and 0.2% of the issue price per share if the aggregate value of shares being issued exceeds Rs. 1,000,000. A transfer of ADSs is not subject to stamp duty under Indian law. Generally, upon the receipt of equity shares in physical form from the depository in exchange for ADSs representing such equity shares, a non-resident investor is liable for stamp duty under Indian law which would be applicable to re-issuances in physical form. This stamp duty is the same as stamp duty payable on original issuances in physical form. Similarly, an agreement to sell equity shares in physical form by a non-resident investor is also subject to stamp duty at the rate of 0.005% of the market value of the equity shares on the trade date. In addition, a stamp duty of 0.25% of the market value of the equity shares on the trade date is levied upon the transfer certificate. Customarily, such tax is borne by the transferee, that is, the purchaser. However, our equity shares are compulsorily delivered in non-physical form, unless the trade is for 500 shares or less, in which case, the shares may be delivered in physical form. Under stamp laws in India, no stamp duty is payable on the acquisition or transfer of equity shares in non-physical form. Except for the stamp duty payable on a transfer certificate, the rates of stamp duty provided above are the

rates that are applicable when the document is stamped in the state of Maharashtra. The transfer certificate is stamped as per the rate prescribed under the Indian Stamp Act, 1899.

#### Other Taxes

At present, there are no taxes on wealth, gifts or inheritance which apply to the ADSs or underlying equity shares.

#### Service Tax

Brokerage fees paid to stockbrokers in connection with the sale or purchase of shares which are listed on any recognized stock exchange in India are subject to a service tax at a rate of 14.5% (including the applicable cess). With effect from June 01, 2016 the service tax rate will be 15% (including applicable cess). The stockbroker is responsible for collecting the service tax and paying it to the relevant authority.

#### Goods and Services Tax

Goods and Services Tax is a single comprehensive tax levied on the manufacture, sale and consumption of goods and services at a national level. It is proposed to be applicable on all transactions of goods and services on which various indirect taxes levied by the Centre and States would submerge except goods and services outside purview of GST and transactions below threshold limit. The necessary procedure for implementation of the Goods and Services Tax Act in India is under process.

#### General Anti Avoidance Rule (GAAR)

The Finance Act of 2015 has deferred the provisions for General Anti Avoidance of Tax (“GAAR”) and they shall be effective beginning on April 1, 2017. The powers to invoke provisions under GAAR are bestowed upon the Indian Income Tax Authorities if they allege that the primary motive of a particular transaction or arrangement is to obtain a tax advantage. If provisions under GAAR are invoked by tax authorities, then a tax benefit or benefit under the tax treaty may be denied.

#### United States Federal Income Tax

The following is a description of material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of ADSs or equity shares, but it does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to own ADSs or equity shares. This discussion applies only to a U.S. Holder that owns ADSs or equity shares as capital assets for U.S. federal income tax purposes.

This discussion does not discuss all of the tax consequences that may be relevant in light of your particular circumstances, including alternative minimum tax consequences, tax consequences of the "Medicare contribution tax" on "net investment income" and tax consequences applicable to U.S. Holders subject to special rules, such as:

- insurance companies;

- tax-exempt entities;

- certain dealers and traders in securities who use a mark-to-market method of tax accounting;

- certain financial institutions;

- persons who own ADSs or equity shares as part of an integrated investment (including a straddle or conversion transaction);

- persons whose functional currency is not the U.S. dollar;

- persons who acquired or received ADSs or equity shares pursuant to the exercise of any employee stock option or otherwise as compensation;

- persons holding ADSs or equity shares in connection with a trade or business conducted outside of the United States;

- persons who own, directly, indirectly or constructively, 10.0% or more of our voting stock; or
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes.

If an entity that is classified as a partnership for U.S. federal income tax purposes owns ADSs or equity shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships owning ADSs or equity shares and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of owning and disposing of ADSs or equity shares.

This discussion is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended, (referred to as the “Code”), proposed and final Treasury regulations, revenue rulings and judicial decisions, all as of the date hereof, which may change, possibly with retroactive effect.

A “U.S. Holder” is a person who, for U.S. federal income tax purposes, is a beneficial owner of ADSs or equity shares and is:

- a citizen or individual resident of the United States;

- a corporation, or other entity taxable as a corporation, created or organized under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, a U.S. Holder who owns ADSs will be treated as the owner of the underlying equity shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying equity shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom depositary shares are released before shares are delivered to the depositary (“pre-release”), or intermediaries in the chain of ownership between holders and the issuer of the security underlying the depositary shares, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of depositary shares. These actions would also be inconsistent with the claiming of the reduced rates of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the creditability of Indian taxes and the availability of the reduced tax rates for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries. This discussion is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

Please consult your tax adviser with regard to the application of U.S. federal income tax laws to ADSs or equity shares in your particular circumstances, including the passive foreign investment company (“PFIC”) rules described below, as well as any tax consequences arising under the laws of any state, local or other taxing jurisdiction.

This discussion assumes that we were not for the taxable year ended March 31, 2016, and will not become, a PFIC (as discussed below).

#### Taxation of Dividends

Distributions you receive on ADSs or equity shares, other than certain pro rata distributions of equity shares or rights to acquire equity shares to all holders of equity shares (including holders of ADSs), will generally constitute foreign-source dividend income for U.S. federal income tax purposes. The amount of the dividend you will be required to include in income will be based on the U.S. dollar value of the rupees received, calculated by reference to the exchange rate in effect on the date the payment is received by the depository (in the case of ADSs) or by you (in the case of equity shares) regardless of whether the payment is converted into U.S. dollars on the date of receipt. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. If you realize gain or loss on a sale or other disposition of rupees, it will constitute U.S. source ordinary income or loss. The amount of the dividend will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, the discussion above regarding concerns expressed by the U.S. Treasury and the PFIC discussion below, if you are a non-corporate U.S. Holder,

dividends paid to you may be taxable at the favorable rates applicable to long-term capital gains. If you are a non-corporate U.S. Holder, you should consult your tax adviser to determine whether you are subject to any special rules that limit your ability to be taxed at these favorable rates.

#### Taxation of Capital Gains

You will recognize gain or loss for U.S. federal income tax purposes on the sale or exchange of ADSs or equity shares. The gain or loss will generally be U.S. source capital gain or loss, which will be long-term capital gain or loss if you have owned such ADSs or equity shares for more than one year. You should consult your tax adviser about the treatment of capital gains, which may be taxed at lower rates than ordinary income for non-corporate taxpayers, and capital losses, the deductibility of which may be limited.

Under certain circumstances as described under “Taxation—Indian Tax—Taxation on sale of ADSs or Equity Shares,” you may be subject to Indian tax upon the disposition of equity shares. You should consult your tax adviser with respect to your ability to credit this Indian tax against your U.S. federal income tax liability.

#### Passive Foreign Investment Company Rules

In general, a foreign corporation is a PFIC for any taxable year in which (i) 75.0% or more of its gross income consists of passive income (such as dividends, interest, rents, royalties and capital gains) or (ii) 50.0% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. There are certain exceptions for active business income, including exceptions for certain income earned by foreign active banks and insurance companies. Based upon certain proposed Treasury regulations, which were proposed to be effective for taxable years beginning after December 31, 1994, we do not believe we were a PFIC for our taxable year that ended March 31, 2016. Because there can be no assurance that the proposed treasury regulations will be finalized in their current form and the manner of the application of the proposed treasury regulations is not entirely clear, and because the composition of our income and assets will vary over time and our PFIC status for any taxable year will depend, in large part, on the extent to which our income and assets will be considered active under the exception for active banks, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we were a PFIC for any taxable year during which you owned ADSs or equity shares, you may be subject to adverse tax consequences. Generally, gain recognized upon a disposition (including, under certain circumstances, a pledge) of ADSs or equity shares by you would be allocated ratably over your holding period for such ADSs or equity shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax attributable to the allocated amounts. Further, to the extent that any distribution received by you on your ADSs or equity shares exceeds 125% of the average of the annual distributions on such ADSs or equity shares received

during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described above in this paragraph.

If we were a PFIC for any year during which you owned ADSs or equity shares, we generally would continue to be treated as a PFIC with respect to such ADSs or equity shares for all succeeding years during which you owned the ADSs or equity shares, even if we ceased to meet the threshold requirements for PFIC status.

Alternatively, if we were a PFIC and if ADSs or equity shares were “regularly traded” on a “qualified exchange,” you could make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. ADSs or equity shares would be treated as “regularly traded” in any calendar year in which more than a de minimis quantity of ADSs or equity shares, as the case may be, were traded on a qualified exchange on at least 15 days during each calendar quarter. The New York Stock Exchange, on which ADSs are listed, is a qualified exchange for this purpose. A foreign exchange is a “qualified exchange” if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met.

If you make the mark-to-market election (assuming the election is available), you generally will recognize as ordinary income any excess of the fair market value of ADSs or equity shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of ADSs or equity shares over their fair market value at the end of the taxable year (but only to the extent

of the net amount of income previously included as a result of the mark-to-market election). If you make the election, your tax basis in ADSs or equity shares will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs or equity shares in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election).

In addition, if we were a PFIC or, with respect to you, were treated as a PFIC for the taxable year in which we paid a dividend or for the prior taxable year, the favorable tax rates with respect to dividends paid to certain non-corporate U.S. Holders, described above under “—Taxation of Dividends”, would not apply.

If we are a PFIC for any taxable year during which you owned our ADSs or equity shares, you will generally be required to file IRS Form 8621 (or any successor form) with your annual U.S. federal income tax returns, subject to certain exceptions.

You should consult your tax adviser regarding whether we are or were a PFIC and the potential application of the PFIC rules.

#### Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.



## Presentation Of Financial Information

Pursuant to the issuance and listing of our securities in the United States under registration statements filed with the United States Securities Exchange Commission, we file annual reports on Form 20-F, which must include financial statements prepared under generally accepted accounting principles in the United States (U.S. GAAP) or financial statements prepared according to a comprehensive body of accounting principles with a reconciliation of net income and stockholders' equity to U.S. GAAP. When we first listed our securities in the United States, Indian GAAP was not considered a comprehensive body of accounting principles under the United States securities laws and regulations. Accordingly, our annual reports on Form 20-F for fiscal years 2000 through 2005 have included U.S. GAAP financial statements. However, pursuant to a significant expansion of Indian accounting standards, Indian GAAP constitutes a comprehensive body of accounting principles. Accordingly, from fiscal 2006 onwards we have included in the annual report consolidated financial statements prepared according to Indian GAAP, which varies in certain respects from U.S. GAAP. For a reconciliation of net income and stockholders' equity to U.S. GAAP, a description of significant differences between Indian GAAP and U.S. GAAP and certain additional information required under U.S. GAAP, see notes 20 and 21 to our consolidated financial statements herein. For selected financial data in accordance with U.S. GAAP see "*Selected Consolidated Financial and Operating Data—Selected U.S. GAAP Financial Data*".

The data for fiscal 2012 through fiscal 2016 have been derived from our consolidated financial statements. The accounting and reporting policies used in the preparation of our financial statements reflect general industry practices and conform with Indian GAAP including the Accounting Standards (AS) issued by Institute of Chartered Accountants of India, guidelines issued by the Reserve Bank of India, the Insurance Regulatory and Development Authority and the National Housing Bank as applicable to relevant companies. In the case of foreign subsidiaries, Generally Accepted Accounting Principles as applicable to the respective subsidiaries are followed.

The consolidated financial statements for fiscal 2012 through fiscal 2014 were audited by S. R. Batliboi & Co. LLP, Chartered Accountants, and for fiscal 2015 and fiscal 2016 by B S R & Co. LLP, Chartered Accountants, under auditing standards issued by the Institute of Chartered Accountants of India. The consolidated financial statements for fiscal 2012 through fiscal 2016 have also been audited by KPMG, an independent registered public accounting firm in India, in accordance with the standards of the United States Public Company Accounting Oversight Board. Our financial statements as per Indian GAAP along with the reconciliation of net profit and stockholders' equity to U.S. GAAP, including the notes to these financial statements, audited by KPMG are set forth at the end of this annual report.

Under U.S. GAAP, the consolidation of ICICI's majority ownership interest in two insurance companies, ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited, because of substantive participative rights retained by the minority shareholders, is accounted for by the equity method. Under Indian GAAP, these insurance subsidiaries are fully consolidated.

Although we have translated in this annual report certain rupee amounts into dollars for convenience, this does not mean that the rupee amounts referred to could have been, or could be, converted into dollars at any particular rate, the

rates stated earlier in this annual report, or at all. Except in the section on “Market Price Information”, all translations from rupees to U.S. dollars are based on the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2016. The Federal Reserve Bank of New York certifies this rate for customs purposes in a weekly version of the H.10 release. The exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board at year-end fiscal 2016 was Rs. 66.25 per US\$ 1.00.

## Additional Information

### Memorandum and Articles of Association

### Objects and Purposes

Pursuant to Clause III.A.1 of ICICI Bank's Memorandum of Association, ICICI Bank's main objective is to, inter alia, carry on the business of banking in any part of India or outside India.

### Directors' Powers

ICICI Bank's directors' powers include the following:

Article 140 of the Articles of Association provides that no director of ICICI Bank shall, as a director, take any part in the discussion of or vote on any contract or arrangement if such director is directly or indirectly concerned or interested in such contract or arrangement.

Directors have no powers to vote in absence of a quorum.

Article 83 of the Articles of Association provides that the directors may by a resolution passed at a meeting of the Board of Directors borrow moneys and raise and secure the payment of amounts in a manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, debenture stock, or any mortgage or charge or other security on the undertaking or the whole or any part of the property of ICICI Bank (both present and future) including our uncalled capital.

### Amendment to Rights of Holders of Equity Shares

Any change to the existing rights of the equity holders can be made only by amending the Articles of Association which would require a special resolution of the shareholders, passed by not less than three times the number of votes cast against the resolution.

## Change in Control Provisions

Article 59 of the Articles of Association provides that the Board of Directors may at its discretion decline to register or acknowledge any transfer of shares in respect of shares upon which we have a lien or while any money in respect of the shares desired to be transferred on any of them remain unpaid. Moreover, the Board of Directors may refuse to register the transfer of any shares if the total nominal value of the shares or other securities intended to be transferred by any person would, together with the total nominal value of any shares held in ICICI Bank, exceed 1% of the paid-up equity share capital of ICICI Bank or if the Board of Directors is satisfied that as a result of such transfer, it would result in the change in the Board of Directors or change in the controlling interest of ICICI Bank and that such change would be prejudicial to the interests of ICICI Bank. However, under the Indian Companies Act, the enforceability of such transfer restrictions is unclear.

## Recent Amendments to Memorandum and Articles of Association

The last amendment as effected to the Memorandum of Association is as follows:

Pursuant to a resolution passed by shareholders on November 20, 2014 by way of postal ballot, section 5 of our memorandum was amended so that the authorized share capital of ICICI Bank was altered to Rs. 17,750,000,000 divided into 6,375,000,000 equity shares of Rs. 2 each, 15,000,000 shares of Rs. 100 each and 350 preference shares of Rs. 10 million each. The last amendments as effected to the Articles of Association was approved by a special resolution passed by our shareholders are as follows:

Special Resolution passed by shareholders at the AGM held on June 30, 2014:

Article 56(d) is amended to enhance the scope of the already existing guidelines to include the act of acquisition of shares or voting rights by a person acting in concert, relative and associate enterprise and the revised Article states that Acquisition of shares or voting rights therein, by a person directly or indirectly, by himself or acting in concert with any other person which taken together with shares and voting rights, if any, held by him or his relative or associate enterprise or person acting in concert with him, makes the applicant to hold five per cent or more of the paid-up share capital of the Bank or entitles him to exercise five per

cent or more of the voting rights in the Bank, should be effected by such person(s) after obtaining prior approval of Reserve Bank of India. The Article also contains the definitions of associate enterprise, relative, persons deemed to be acting in concert and joint venture.

Article 113(b) is amended to include the power given to the Reserve Bank of India to increase, in a phased manner, ceiling on voting rights on poll from ten per cent to twenty six per cent. The revised Article states that on a poll, the voting rights of Members shall be as provided in Section 47 of the Companies Act, 2013, but will be subject to the ceiling of ten per cent of the total voting rights or such other percentage as may be stipulated by Section 12(2) of the Banking Regulation Act or under any of the proviso or explanation to Section 12 of the Banking Regulation Act.

Special Resolution passed by shareholders by way of a postal ballot on November 20, 2014:

Article 5(a) was amended on account of sub-division of one equity share of Rs. 10 each into five equity shares of face value of Rs. 2 each and was substituted as follows:

The Authorized Capital of the Company is Rs. 17,750,000,000 divided into:

- i. 6,375,000,000 Equity Shares of Rs.2 each.
  
- ii. 15,000,000 shares of Rs. 100 each which shall be of such class and with rights, privileges, conditions or restrictions as may be determined by the company in accordance with these presents and subject to the legislative provisions for the time being in that behalf, and
  
- iii. K50 preference shares of Rs. 10 million each.

The Memorandum and Articles of Association reflecting the above revisions are attached as exhibits to this annual report.

Special Resolution passed by shareholders by way of a postal ballot on April 22, 2016:

## Amendment to the Employees Stock Option Scheme

As per the amended definition, the exercise period has been changed from the period commencing from the date of vesting of Options and ending on the later of (i) the tenth anniversary of the date of grant of Options or (ii) the fifth anniversary of the date of vesting of Options to the period commencing from the date of vesting of Options and ending on the tenth anniversary of the date of vesting of Options.

## Documents on Display

The documents concerning us which are referred to herein may be inspected at the Securities and Exchange Commission ("SEC"). You may read and copy any document filed or furnished by us at the SEC's public reference rooms in Washington D.C., New York and Chicago, Illinois or obtain them by mail upon payment of prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov), which contains, in electronic form, each of the reports and other information that we have filed electronically with the SEC. Information about ICICI Bank is also available on the web at [www.icicibank.com](http://www.icicibank.com).

## Incorporation by Reference

We incorporate by reference the information disclosed under "Description of Equity Shares" and "Description of the American Depositary Shares" in ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132).

EXHIBIT INDEX

Exhibit No.	Description of Document
1.1	ICICI Bank Memorandum of Association, as amended (incorporated by reference to ICICI Bank's Annual Report in Form 20-F for fiscal 2015).
1.2	ICICI Bank Articles of Association, as amended (incorporated by reference to ICICI Bank's Annual Report in Form 20-F for fiscal 2015).
2.1	Deposit Agreement among ICICI Bank, Deutsche Bank and the holders from time to time of American Depositary Receipts issued thereunder (including as an exhibit, the form of American Depositary Receipt) (incorporated herein by reference to ICICI Bank's Registration Statement on Form F-1 (File No. 333-30132)).
2.2	Letter Agreements dated February 19, 2002 and April 1, 2002 (incorporated herein by reference to ICICI Bank's Annual Report on Form 20-F for the year ended March 31, 2002 filed on September 30, 2002), Letter Agreement dated March 8, 2005 (incorporated by reference to ICICI Bank's Registration Statement on Form F-3 (File No. 333-121664)) and Letter Agreement dated November 4, 2011 (incorporated by reference to ICICI Bank's Annual Report on Form 20-F for fiscal 2012) amending and supplementing the Deposit Agreement.
2.3	Letter Agreement dated June 2, 2016, supplementing the Letter Agreement dated November 4, 2011.
2.4	ICICI Bank's Specimen Certificate for Equity Shares (incorporated by reference to ICICI Bank's Annual Report in Form 20-F for fiscal 2015).
4.1	ICICI Bank's Employee Stock Option Plan, as amended.
8.1	List of Subsidiaries (included under "Business—Subsidiaries, Associates and Joint Ventures" herein).
11.1	Code of Business Conduct and Ethics, as amended.
12.1	Certification of the Managing Director and Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.
12.2	Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act.
13.1	Certification of periodic financial report pursuant to 18 U.S.C. Section 1350, as mandated by Section 906 of the Sarbanes-Oxley Act.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on our behalf.

For ICICI BANK LIMITED

By: /s/ Rakesh Jha

Name: Mr. Rakesh Jha

Title: Chief Financial Officer

Place: Mumbai

Date: August 1, 2016



**ICICI Bank Limited and subsidiaries**

Consolidated Financial Statements

For the year ended March 31, 2015

and March 31, 2016 together

with Auditors' Report

**Index to Consolidated Financial Statements**

Contents	Page
Report of Independent Registered Public Accounting Firm	F-2
Consolidated balance sheet	F-5
Consolidated profit and loss account	F-6
Consolidated cash flow statement	F-7
Schedules to the consolidated financial statements	F-9

F-1

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders

ICICI Bank Limited

We have audited the accompanying consolidated balance sheets of ICICI Bank Limited and subsidiaries (the “Company”) as of March 31, 2016 and 2015, and the related consolidated profit and loss accounts and consolidated cash flow statements for each of the years in the three-year period ended March 31, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2016, in conformity with generally accepted accounting principles in India.

Accounting principles generally accepted in India vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 20 of Schedule 18B to the consolidated financial statements.

We draw attention to Note 15 to the consolidated financial statements, which provides details with regard to the creation of provision relating to Funded Interest Term Loan through utilization of reserves, as permitted by the Reserve Bank of India vide letter dated January 6, 2015.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the

Treadway Commission, and our report dated August 1, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG

Mumbai, India

April 29, 2016, except as to additional notes in Schedule 18B

As to which the date is August 1, 2016

F-2

**Report of Independent Registered Public Accounting Firm – Internal Controls over Financial Reporting**

The Board of Directors and Stockholders

ICICI Bank Limited

We have audited ICICI Bank Limited and subsidiaries' (the "Company") internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting in the accompanying Form 20-F for the year ended March 31, 2016. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

F-3

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of March 31, 2016 and 2015, and the related consolidated profit and loss accounts and consolidated cash flow statements for each of the years in the three-year period ended March 31, 2016, and our report dated April 29, 2016, except as to additional notes in Schedule 18B as to which the date is August 1, 2016, expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG

Mumbai, India

August 1, 2016

F-4

ICICI Bank Limited and subsidiaries

**Consolidated balance sheet****(Rs. in thousands)**

	<b>Schedule</b>	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	11,631,656	11,596,608
Employees stock options outstanding		67,019	74,388
Reserves and surplus	2	929,408,451	835,374,445
Minority interest	2A	33,556,448	25,058,148
Deposits	3	4,510,773,918	3,859,552,465
Borrowings	4	2,203,776,561	2,112,520,026
Liabilities on policies in force		970,533,948	936,193,819
Other liabilities and provisions	5	527,813,976	480,421,804
<b>TOTAL CAPITAL AND LIABILITIES</b>		<b>9,187,561,977</b>	<b>8,260,791,703</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	272,775,620	258,376,695
Balances with banks and money at call and short notice	7	377,584,082	217,995,002
Investments	8	2,860,440,872	2,743,108,109
Advances	9	4,937,291,077	4,384,900,954
Fixed assets	10	87,134,646	58,712,089
Other assets	11	652,335,680	597,698,854
<b>TOTAL ASSETS</b>		<b>9,187,561,977</b>	<b>8,260,791,703</b>
Contingent liabilities	12	11,176,470,163	10,190,385,671
Bills for collection		217,500,551	162,914,850
Significant accounting policies and notes to accounts	<i>17 &amp; 18</i>		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet.



ICICI Bank Limited and subsidiaries

**Consolidated profit and loss account****(Rs. in thousands)**

	<b>Schedule</b>	<b>Year ended March 31, 2016</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
<b>I. INCOME</b>				
Interest earned	13	592,937,057	549,639,961	494,792,476
Other income	14	421,021,403	352,522,357	300,846,072
<b>TOTAL INCOME</b>		<b>1,013,958,460</b>	<b>902,162,318</b>	<b>795,638,548</b>
<b>II. EXPENDITURE</b>				
Interest expended	15	339,964,746	323,181,538	297,106,119
Operating expenses	16	407,895,615	350,227,119	306,663,585
Provisions and contingencies (refer note 18.7)		156,829,183	99,330,676	75,097,674
<b>TOTAL EXPENDITURE</b>		<b>904,689,544</b>	<b>772,739,333</b>	<b>678,867,378</b>
<b>III. PROFIT/(LOSS)</b>				
Net profit for the year		109,268,916	129,422,985	116,771,170
Less: Minority interest		7,469,331	6,954,333	6,357,506
Net profit after minority interest		101,799,585	122,468,652	110,413,664
Profit brought forward		198,278,702	145,475,548	103,294,625
<b>TOTAL PROFIT/(LOSS)</b>		<b>300,078,287</b>	<b>267,944,200</b>	<b>213,708,289</b>
<b>IV. APPROPRIATIONS/TRANSFERS</b>				
Transfer to Statutory Reserve		24,316,000	27,939,000	24,530,000
Transfer to Reserve Fund		9,340	7,660	46,146
Transfer to Capital Reserve		23,822,375	2,919,250	760,000
Transfer to/(from) Investment Reserve Account		—	(1,270,000 )	1,270,000
Transfer to Special Reserve		13,860,000	11,396,000	9,446,000
Transfer to/(from) Revenue and other reserves		5,207,028	(5,600,841 )	1,992,076
Dividend (including corporate dividend tax) for the previous year paid during the year		38,513	29,784	(539,685 )
Proposed equity share dividend		29,075,153	28,988,072	26,562,812
Proposed preference share dividend		35	35	35
Corporate dividend tax		5,539,079	4,882,652	4,165,357
Balance carried over to balance sheet		198,210,764	198,652,588	145,475,548

Edgar Filing: ICICI BANK LTD - Form 20-F

TOTAL		300,078,287	267,944,200	213,708,289
Significant accounting policies and notes to accounts	<i>17 &amp; 18</i>			
Earnings per share (refer note 18.1)				
Basic (Rs.)		17.53	21.17	19.13
Diluted (Rs.)		17.41	20.94	19.03
Face value per share (Rs.)		2.00	2.00	2.00

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account.

F-6

ICICI Bank Limited and subsidiaries

**Consolidated cash flow statement**

(Rs. in thousands)

Particulars	Year ended		
	March 31, 2016	March 31, 2015	March 31, 2014
Cash flow from operating activities			
Profit before taxes	135,574,704	176,435,930	156,508,688
Adjustments for:			
Depreciation and amortization	9,567,289	9,102,686	8,418,401
Net (appreciation)/depreciation on investments	(34,641,416 )	324,940	(704,719 )
Provision in respect of non-performing and other assets	88,308,555	36,181,416	24,818,320
Prudential provision on standard assets	3,175,576	4,053,835	1,591,953
Provision for contingencies & others	28,584,825	999,282	963,597
(Profit)/loss on sale of fixed assets	(264,335 )	(33,994 )	(1,352,001 )
Employees stock option grants	142,309	94,432	120,371
	(i) 230,447,507	227,158,527	190,364,610
Adjustments for:			
(Increase)/decrease in investments	(40,179,999 )	(144,940,347)	49,187,517
(Increase)/decrease in advances	(648,486,064)	(567,661,237)	(573,005,899)
Increase/(decrease) in deposits	651,221,453	264,425,642	447,421,466
(Increase)/decrease in other assets	(24,030,865 )	57,627,927	(58,988,442 )
Increase/(decrease) in other liabilities and provisions	132,466,667	94,006,046	58,968,410
	(ii) 70,991,192	(296,541,969)	(76,416,948 )
Refund/(payment) of direct taxes	(iii) (64,985,465 )	(53,347,975 )	(46,299,744 )
Net cash flow from/(used in) operating activities(i)+(ii)+(iii)	(A) 236,453,234	(122,731,417)	67,647,918
Cash flow from investing activities			
Purchase of fixed assets	(8,483,857 )	(12,446,322 )	(8,373,656 )
Proceeds from sale of fixed assets	703,145	367,499	2,051,182
(Purchase)/sale of held to maturity securities	(110,411,892)	(117,238,214)	(160,353,177)
Net cash used in investing activities	(B) (118,192,604)	(129,317,037)	(166,675,651)
Cash flow from financing activities			
Proceeds from issue of share capital (including ESOPs)	2,824,200	3,477,284	761,818

Edgar Filing: ICICI BANK LTD - Form 20-F

Proceeds from long term borrowings		455,604,563	439,781,096	333,892,436
Repayment of long term borrowings		(319,709,230)	(271,340,761)	(211,027,903)
Net proceeds/(repayment) of short term borrowings		(46,055,502 )	107,195,242	(17,862,991 )
Dividend and dividend tax paid		(34,524,887 )	(30,840,867 )	(27,040,480 )
Net cash generated from/(used in) financing activities	<b>(C)</b>	58,139,144	248,271,994	78,722,880
Effect of exchange fluctuation on translation reserve	<b>(D)</b>	(2,411,769 )	(2,434,107 )	9,178,547

F-7

ICICI Bank Limited and subsidiaries

**Consolidated cash flow statement (Continued)****(Rs. in thousands)**

Particulars	Year ended		
	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C) + (D)	173,988,005	(6,210,567 )	(11,126,306 )
Cash and cash equivalents as at the beginning of the year	476,371,697	482,582,264	493,708,570
Cash and cash equivalents as at the end of the year	650,359,702	476,371,697	482,582,264

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

F-8

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet****SCHEDULE 1 - CAPITAL**

(Rs. in thousands)

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
Authorized capital		
6,375,000,000 equity shares of Rs. 2 each (March 31, 2015: 6,375,000,000 equity shares of Rs. 2 each)	12,750,000	12,750,000
15,000,000 shares of Rs. 100 each (March 31, 2015: 15,000,000 shares of Rs. 100 each) <sup>1</sup>	1,500,000	1,500,000
350 preference shares of Rs. 10 million each (March 31, 2015: 350 preference shares of Rs. 10 million each) <sup>2</sup>	3,500,000	3,500,000
<b>Equity share capital</b>		
Issued, subscribed and paid-up capital		
5,797,244,645 equity shares of Rs. 2 each (March 31, 2015: 5,774,163,845 equity shares)	11,594,489	11,548,327
Add: 17,523,785 equity shares of Rs. 2 each (March 31, 2015: 23,080,800 equity shares) issued pursuant to exercise of employee stock options	35,048	46,162
	11,629,537	11,594,489
Add: 266,089 equity shares of Rs. 10 each forfeited (March 31, 2015: 266,089 equity shares)	2,119	2,119
<b>TOTAL CAPITAL</b>	<b>11,631,656</b>	<b>11,596,608</b>

These shares will be of such class and with such rights, privileges, conditions or restrictions as may be determined 1. by the Bank in accordance with the Articles of Association of the Bank and subject to the legislative provisions in force for the time being in that behalf.

2. Pursuant to RBI circular, the issued and paid-up preference shares are grouped under Schedule 4-“Borrowings”.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 2 - RESERVES AND SURPLUS****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>I. Statutory reserve</b>		
Opening balance	163,205,519	135,266,519
Additions during the year	24,316,000	27,939,000
Deductions during the year	..	..
Closing balance	187,521,519	163,205,519
<b>II. Special reserve</b>		
Opening balance	69,454,700	58,058,700
Additions during the year	13,860,000	11,396,000
Deductions during the year	..	..
Closing balance	83,314,700	69,454,700
<b>III. Securities premium</b>		
Opening balance	319,054,660	315,537,750
Additions during the year <sup>1</sup>	2,938,832	3,516,910
Deductions during the year	..	..
Closing balance	321,993,492	319,054,660
<b>IV. Investment reserve account</b>		
Opening balance	..	1,270,000
Additions during the year	..	..
Deductions during the year	..	(1,270,000 )
Closing balance	..	..
<b>V. Unrealized investment reserve<sup>2</sup></b>		
Opening balance	35,153	34,100

Edgar Filing: ICICI BANK LTD - Form 20-F

Additions during the year	88,956	1,053
Deductions during the year	(128,553 )	..
Closing balance	(4,444 )	35,153
VI. Capital reserve		
Opening balance	26,095,641	23,176,391
Additions during the year <sup>3</sup>	23,822,375	2,919,250
Deductions during the year	..	..
Closing balance <sup>4</sup>	49,918,016	26,095,641
VII. Foreign currency translation reserve		
Opening balance	22,999,128	25,433,235
Additions during the year	6,589,367	11,062,032
Deductions during the year <sup>5</sup>	(9,411,886 )	(13,496,139 )
Closing balance	20,176,609	22,999,128

F-10



	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
VIII. Revaluation reserve		
Opening balance	..	..
Additions during the year <sup>6</sup>	28,174,747	..
Deductions during the year	..	..
Closing balance	28,174,747	..
IX. Reserve fund		
Opening balance	36,694	95,865
Additions during the year <sup>7</sup>	9,340	7,660
Deductions during the year <sup>8</sup>	..	(66,831 )
Closing balance	46,034	36,694
X. Revenue and other reserves		
Opening balance	36,214,248	48,334,225
Additions during the year <sup>8</sup>	5,618,430	4,015,939
Deductions during the year <sup>9,10</sup>	(1,775,664 )	(16,135,916 )
Closing balance <sup>11,12</sup>	40,057,014	36,214,248
XI. Balance in profit and loss account	198,210,764	198,652,588
Deductions during the year <sup>9</sup>	..	(373,886 )
Balance in profit and loss account	198,210,764	198,278,702
<b>TOTAL RESERVES AND SURPLUS</b>	<b>929,408,451</b>	<b>835,374,445</b>

1. Includes Rs. 2,789.2 million (March 31, 2015: Rs. 3,431.1 million) on exercise of employee stock options.

2. Represents unrealised profit/(loss) pertaining to the investments of venture capital funds.

3. Includes appropriations made by the Bank for profit on sale of investments in held-to-maturity category, net of taxes and transfer to Statutory Reserve and profit on sale of land and buildings, net of taxes and transfer to Statutory Reserve.

4. Includes capital reserve on consolidation amounting to Rs.79.1 million (March 31, 2015: Rs. 80.7 million).

5. Includes exchange profit on repatriation of retained earnings from overseas branches of the Bank.

6. Represents gain on revaluation of premises carried out by the Bank at March 31, 2016.

7. Includes appropriations made to Reserve Fund for the year ended March 31, 2015 in accordance with regulations applicable to Sri Lanka branch of the Bank.

8.

In terms of the guidelines issued by Central Bank of Sri Lanka, banks in Sri Lanka are no longer required to make appropriation towards Investment Fund Account. The balance of Rs. 66.8 million outstanding in Investment Fund Account had been transferred to revenue and other reserves during the year ended March 31, 2015 in accordance with these guidelines.

At March 31, 2015, includes amount utilised for creation of deferred tax liability of ICICI Home Finance Company Limited on balance in Special Reserve at March 31, 2014 in accordance with National Housing Board circular dated May 27, 2014.

10. At March 31, 2015, includes Rs. 9,291.6 million utilised with approval of RBI to provide for outstanding Funded Interest Term Loans (FITL) related to accounts restructured prior to the issuance of RBI guideline in 2008.

11. Includes unrealised profit/(loss), net of tax, of Rs. (530.9) million (March 31, 2015: Rs. (407.4) million) pertaining to the investments in the available-for-sale category of ICICI Bank UK PLC.

12. Includes restricted reserve of Rs. 1,265.0 million (March 31, 2015: Rs. 1,281.1 million) primarily relating to lapsed contracts of the life insurance subsidiary.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 2A - MINORITY INTEREST****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
Opening minority interest	25,058,148	20,107,641
Subsequent increase/(decrease) during the year	8,498,300	4,950,507
<b>CLOSING MINORITY INTEREST</b>	<b>33,556,448</b>	<b>25,058,148</b>

**SCHEDULE 3 - DEPOSITS****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
A. I. Demand deposits		
i) From banks	39,713,920	37,225,312
ii) From others	563,675,244	467,371,342
II. Savings bank deposits	1,444,551,013	1,221,061,995
III. Term deposits		
i) From banks	95,975,771	82,869,479
ii) From others	2,366,857,970	2,051,024,337
<b>TOTAL DEPOSITS</b>	<b>4,510,773,918</b>	<b>3,859,552,465</b>

Edgar Filing: ICICI BANK LTD - Form 20-F

B. I. Deposits of branches in India	4,097,654,748	3,495,286,634
II. Deposits of branches/subsidiaries outside India	413,119,170	364,265,831
<b>TOTAL DEPOSITS</b>	<b>4,510,773,918</b>	<b>3,859,552,465</b>

F-12

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 4 - BORROWINGS**

(Rs. in thousands)

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>I. Borrowings In India</b>		
i) Reserve Bank of India	115,411,000	179,758,800
ii) Other banks	76,202,937	52,409,514
iii) Other institutions and agencies		
a) Government of India	..	..
b) Financial institutions	198,462,255	181,754,472
iv) Borrowings in the form of		
a) Deposits	2,866,149	2,613,694
b) Commercial paper	8,701,661	14,671,235
c) Bonds and debentures (excluding subordinated debt)	119,263,431	110,250,918
v) Application money-bonds	..	..
vi) Capital instruments		
a) Innovative Perpetual Debt Instruments (IPDI) (qualifying as additional Tier 1 capital)	13,010,000	13,010,000
b) Hybrid debt capital instruments issued as bonds/debentures (qualifying as Tier 2 capital)	98,152,555	98,159,787
c) Redeemable Non-Cumulative Preference Shares (RNCPS) (350 RNCPS of Rs. 10.0 million each issued to preference share holders of erstwhile ICICI Limited on amalgamation, redeemable at par on April 20, 2018)	3,500,000	3,500,000
d) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	193,976,348	221,762,009
<b>TOTAL BORROWINGS IN INDIA</b>	<b>829,546,336</b>	<b>877,890,429</b>
<b>II. Borrowings outside India</b>		
i) Capital instruments		
a) Innovative Perpetual Debt Instruments (IPDI) (qualifying as additional Tier 1 capital)	22,517,983	21,227,648
b) Hybrid debt capital instruments issued as bonds/debentures (qualifying as Tier 2 capital)	65,233,121	61,498,053
c) Unsecured redeemable debentures/bonds (subordinated debt included in Tier 2 capital)	9,916,081	9,339,593
ii) Bonds and notes	492,616,248	419,855,672
iii) Other borrowings <sup>1</sup>	783,946,792	722,708,631

TOTAL BORROWINGS OUTSIDE INDIA	1,374,230,225	1,234,629,597
TOTAL BORROWINGS	2,203,776,561	2,112,520,026

<sup>1</sup> Includes borrowings guaranteed by Government of India for the equivalent of Rs. 5,132.2million (March 31, 2015: Rs. 13,336.4 million).

<sup>2</sup> Secured borrowings in I and II above amount to Rs. 169,644.9 million (March 31, 2015: Rs. 145,869.2 million) excluding borrowings under Collateralised Borrowing and Lending Obligation, market repurchase transactions with banks and financial institutions and transactions under Liquidity Adjustment Facility and Marginal Standing Facility.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS****(Rs. in thousands)**

	<b>At</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>
I. Bills payable	48,422,363	52,914,088
II. Inter-office adjustments (net)	1,295,074	2,268,830
III Interest accrued	35,086,739	43,756,791
IV Sundry creditors	164,490,577	133,345,526
V Provision for standard assets	29,178,492	25,507,118
VI Others <sup>1,2</sup>	249,340,731	222,629,451
<b>TOTAL OTHER LIABILITIES AND PROVISIONS</b>	<b>527,813,976</b>	<b>480,421,804</b>

1. For the year ended March 31, 2016, includes Rs. 36,000.0 million towards collective contingency and related reserve.

2. Includes:

a) Proposed dividend amounting to Rs. 29,075.2 million (March 31, 2015: Rs. 28,988.1 million).

b) Corporate dividend tax payable amounting to Rs. 3,786.8 million (March 31, 2015: Rs. 3,710.6 million).

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA****(Rs. in thousands)**

	<b>At</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>
I. Cash in hand (including foreign currency notes)	67,477,373	68,586,251
II. Balances with Reserve Bank of India in current accounts	205,298,247	189,790,444

TOTAL CASH AND BALANCES WITH RESERVE BANK OF INDIA      272,775,620    258,376,695

**SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE**

**(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>I. In India</b>		
i) Balances with banks		
a) in current accounts	1,905,925	3,375,768
b) in other deposit accounts	9,791,225	13,170,773
ii) Money at call and short notice		
a) with banks	66,771,325	..
b) with other institutions	..	2,925,489
<b>TOTAL</b>	<b>78,468,475</b>	<b>19,472,030</b>
<b>II. Outside India</b>		
i) in current accounts	134,753,654	147,922,798
ii) in other deposit accounts	69,838,416	26,968,517
iii) Money at call and short notice	94,523,537	23,631,657
<b>TOTAL</b>	<b>299,115,607</b>	<b>198,522,972</b>
<b>TOTAL BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>	<b>377,584,082</b>	<b>217,995,002</b>



## SCHEDULE 8 - INVESTMENTS

(Rs. in thousands)

- I. Investments in India (net of provisions)
  - i) Government securities
  - ii) Other approved securities
  - iii) Shares (includes equity and preference shares)<sup>1</sup>
  - iv) Debentures and bonds
  - v) Assets held to cover linked liabilities of life insurance business
  - vi) Others (commercial paper, mutual fund units, pass through certificates, security receipts, certificate of deposits)<sup>2</sup>

### TOTAL INVESTMENTS IN INDIA

- II. Investments outside India (net of provisions)
  - i) Government securities
  - ii) Others (equity shares, bonds and certificate of deposits)

### TOTAL INVESTMENTS OUTSIDE INDIA

### TOTAL INVESTMENTS

- A. Investments in India
  - Gross value of investments<sup>3</sup>
  - Less: Aggregate of provision/depreciation/(appreciation)

Net investments

- B. Investments outside India
  - Gross value of investments
  - Less: Aggregate of provision/depreciation/(appreciation)

Net investments

### TOTAL INVESTMENTS

1. Includes cost of investment in associates amounting to Rs. 3,696.1 million (March 31, 2015: Rs. 4,590.5 million).

In accordance with RBI circular dated July 16, 2015, investment in Rural Infrastructure and Development Fund and 2. other related deposits of Rs. 280,661.8 million (March 31, 2015: Rs. 284,508.2 million) has been re-classified to line item 'Rural Infrastructure and Development Fund' under Schedule 11 – Other Assets.

<sup>3</sup> Includes net appreciation amounting to Rs. 69,077.9 million (March 31, 2015: Rs. 140,769.2 million) on investments held to cover linked liabilities of life insurance business.

F-15

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 9 - ADVANCES (net of provisions)****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>A.</b>		
i) Bills purchased and discounted	143,811,829	139,070,145
ii) Cash credits, overdrafts and loans repayable on demand	849,039,557	680,082,886
iii) Term loans	3,944,439,691	3,565,747,923
<b>TOTAL ADVANCES</b>	<b>4,937,291,077</b>	<b>4,384,900,954</b>
<b>B.</b>		
i) Secured by tangible assets (includes advances against book debts)	3,948,314,956	3,611,662,833
ii) Covered by bank/government guarantees	103,079,622	112,798,745
iii) Unsecured	885,896,499	660,439,376
<b>TOTAL ADVANCES</b>	<b>4,937,291,077</b>	<b>4,384,900,954</b>
<b>C. I. Advances in India</b>		
i) Priority sector	924,348,694	762,092,862
ii) Public sector	44,329,101	35,374,080
iii) Banks	283,403	146,618
iv) Others	2,525,626,771	2,202,248,007
<b>TOTAL ADVANCES IN INDIA</b>	<b>3,494,587,969</b>	<b>2,999,861,567</b>
<b>II. Advances outside India</b>		
i) Due from banks	18,204,673	12,899,084
ii) Due from others		
a) Bills purchased and discounted	42,433,900	48,389,649
b) Syndicated and term loans	1,013,131,071	1,000,048,245
c) Others	368,933,464	323,702,409
<b>TOTAL ADVANCES OUTSIDE INDIA</b>	<b>1,442,703,108</b>	<b>1,385,039,387</b>

TOTAL ADVANCES	4,937,291,077	4,384,900,954
----------------	---------------	---------------

F-16

ICICI Bank Limited and subsidiaries

**Schedules forming part of the consolidated balance sheet (Continued)****SCHEDULE 10 - FIXED ASSETS****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
<b>I. Premises</b>		
At cost at March 31 of preceding year	51,764,728	47,929,434
Additions during the year <sup>1</sup>	29,609,849	4,464,603
Deductions during the year	(724,254 )	(629,309 )
Depreciation to date <sup>2</sup>	(13,358,550)	(12,257,917)
<b>Net block<sup>3</sup></b>	<b>67,291,773</b>	<b>39,506,811</b>
<b>II. Other fixed assets (including furniture and fixtures)</b>		
At cost at March 31 of preceding year	55,271,663	50,801,492
Additions during the year	7,510,219	7,518,817
Deductions during the year	(3,214,712 )	(3,048,646 )
Depreciation to date <sup>4</sup>	(42,138,931)	(38,392,681)
<b>Net block</b>	<b>17,428,239</b>	<b>16,878,982</b>
<b>III. Assets given on Lease</b>		
At cost at March 31 of preceding year	17,299,544	17,299,544
Additions during the year	..	..
Deductions during the year	..	..
Depreciation to date, accumulated lease adjustment and provisions <sup>5</sup>	(14,884,909)	(14,973,248)
<b>Net block</b>	<b>2,414,635</b>	<b>2,326,296</b>
<b>TOTAL FIXED ASSETS</b>	<b>87,134,646</b>	<b>58,712,089</b>

1. Includes Rs. 28,174.7 million added on revaluation carried out by the Bank on March 31, 2016.

2. Includes depreciation charge amounting to Rs. 1,513.3 million (March 31, 2015: Rs. 1,558.5 million).

3. Includes assets of Rs. 13.6 million of the Bank (March 31, 2015: Rs. 2.0 million) which are held for sale.

4. Includes depreciation charge amounting to Rs. 6,725.6 million (March 31, 2015: Rs. 6,073.1 million).

5. Includes depreciation charge/lease adjustment amounting to Rs. 192.2 million (March 31, 2015: Rs. 350.6 million).

## SCHEDULE 11 – OTHER ASSETS

(Rs. in thousands)

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
I. Inter-office adjustments (net)	..	..
II. Interest accrued	77,457,994	71,772,042
III. Tax paid in advance/tax deducted at source (net)	35,319,277	37,594,663
IV. Stationery and stamps	1,710	2,230
V. Non-banking assets acquired in satisfaction of claims <sup>1</sup>	18,158,876	875,462
VI. Advance for capital assets	1,454,762	2,050,488
VII. Deposits	13,542,444	13,598,473
VIII. Deferred tax asset (net)	49,611,861	16,134,788
IX. Rural Infrastructure and Development Fund	280,661,817	284,508,152
X. Others <sup>2</sup>	176,126,939	171,162,556
<b>TOTAL OTHER ASSETS</b>	<b>652,335,680</b>	<b>597,698,854</b>

<sup>1</sup> Includes certain non-banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.

<sup>2</sup> Includes goodwill on consolidation amounting to Rs. 1,257.0 million (March 31, 2015: Rs. 1,257.0 million).

**SCHEDULE 12 - CONTINGENT LIABILITIES****(Rs. in thousands)**

	<b>At March 31, 2016</b>	<b>March 31, 2015</b>
I. Claims against the Group not acknowledged as debts	41,298,568	45,940,699
II. Liability for partly paid investments	12,455	65,787
III. Liability on account of outstanding forward exchange contracts <sup>1</sup>	3,740,067,266	3,047,985,649
IV. Guarantees given on behalf of constituents		
a) In India	750,021,991	755,773,834
b) Outside India	262,980,560	248,099,209
V. Acceptances, endorsements and other obligations	474,131,095	496,851,207
VI. Currency swaps <sup>1</sup>	468,883,265	534,295,396
VII. Interest rate swaps, currency options and interest rate futures <sup>1</sup>	5,385,604,359	5,021,951,604
VIII. Other items for which the Group is contingently liable	53,470,604	39,422,286
<b>TOTAL CONTINGENT LIABILITES</b>	<b>11,176,470,163</b>	<b>10,190,385,671</b>

1. Represents notional amount.

**SCHEDULE 13 - INTEREST EARNED****(Rs. in thousands)**

	<b>Year ended March 31, 2016</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
I. Interest/discount on advances/bills	415,508,980	380,597,058	337,208,794
II. Income on investments <sup>1</sup>	143,244,729	137,799,376	131,021,723
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,039,556	3,661,576	4,276,997
IV. Others <sup>1,2,3</sup>	31,143,792	27,581,951	22,284,962
<b>TOTAL INTEREST EARNED</b>	<b>592,937,057</b>	<b>549,639,961</b>	<b>494,792,476</b>

Interest on Rural Infrastructure and Development Fund and other related deposits (RIDF) of Rs. 16,618.9 million (March 31, 2015: Rs. 13,518.0 million, March 31, 2014: Rs. 11,426.6 million) has been re-classified from line item 1. 'income on investments' to 'Others' consequent to re-classification of RIDF investments from Schedule 8 – Investments to Schedule 11 - Other assets.

2. Includes interest on income tax refunds amounting to Rs. 3,274.4 million (March 31, 2015: Rs. 2,753.5 million, March 31, 2014: Rs. 1,991.6 million).

3. Includes interest and amortisation of premium on non-trading interest rate swaps and foreign currency swaps.

F-18



ICICI Bank Limited and subsidiaries

**Schedules forming part of the profit and loss account (Continued)****SCHEDULE 14 - OTHER INCOME****(Rs. in thousands)**

	Year ended		
	March 31,	March 31,	March 31,
	2016	2015	2014
I. Commission, exchange and brokerage	87,696,973	83,938,513	73,240,952
II. Profit/(loss) on sale of investments (net) <sup>1</sup>	46,675,463	24,787,803	7,534,232
III. Profit/(loss) on revaluation of investments (net)	(4,248,050 )	(167,456 )	3,637,251
IV. Profit/(loss) on sale of land, buildings and other assets (net) <sup>2</sup>	264,335	33,994	1,352,001
V. Profit/(loss) on exchange /derivative transactions (net) <sup>3</sup>	23,794,434	22,073,402	20,206,580
VI. Premium and other operating income from insurance business	263,839,764	220,771,454	193,319,150
VII. Miscellaneous income (including lease income) <sup>4</sup>	2,998,484	1,084,647	1,555,906
<b>TOTAL OTHER INCOME</b>	<b>421,021,403</b>	<b>352,522,357</b>	<b>300,846,072</b>

<sup>1</sup> Includes profit on sale of part of equity investment in ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited.

<sup>2</sup> Includes profit/(loss) on sale of assets given on lease.

<sup>3</sup> Includes exchange profit/(loss) on repatriation of retained earnings/capital from overseas branches/subsidiaries.

<sup>4</sup> Includes share of profit/(loss) from associates of Rs. 174.0 million (March 31, 2015: Rs. 198.3 million, March 31, 2014: Rs. 43.1 million).

**SCHEDULE 15 - INTEREST EXPENDED****(Rs. in thousands)**

Year ended

Edgar Filing: ICICI BANK LTD - Form 20-F

	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>
I. Interest on deposits	219,989,769	207,723,125	184,190,198
II. Interest on Reserve Bank of India/inter-bank borrowings	15,587,314	16,935,155	25,068,313
III. Others (including interest on borrowings of erstwhile ICICI Limited)	104,387,663	98,523,258	87,847,608
<b>TOTAL INTEREST EXPENDED</b>	<b>339,964,746</b>	<b>323,181,538</b>	<b>297,106,119</b>

F-19

ICICI Bank Limited and subsidiaries

**Schedules forming part of the profit and loss account (Continued)****SCHEDULE 16 - OPERATING EXPENSES****(Rs. in thousands)**

	Year ended <b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2016</b>	<b>2015</b>	<b>2014</b>
I. Payments to and provisions for employees	69,122,888	65,683,216	59,687,936
II. Rent, taxes and lighting	12,424,715	11,540,155	11,038,531
III. Printing and stationery	1,742,022	1,587,878	1,778,796
IV. Advertisement and publicity	7,199,746	5,281,639	5,874,819
V. Depreciation on property	8,238,922	7,631,612	6,875,673
VI. Depreciation (including lease equalization) on leased assets	192,206	350,597	316,981
VII. Directors' fees, allowances and expenses	62,939	59,228	48,938
VIII. Auditors' fees and expenses	230,227	222,336	210,218
IX. Law charges	1,127,613	1,272,588	1,229,598
X. Postages, courier, telephones, etc	4,028,285	3,744,913	3,690,741
XI. Repairs and maintenance	11,540,341	10,082,794	8,540,177
XII. Insurance	3,332,350	3,147,514	2,740,339
XIII. Direct marketing agency expenses	11,521,566	10,131,867	6,755,921
XIV. Claims and benefits paid pertaining to insurance business	53,973,461	41,274,246	44,708,877
XV. Other expenses pertaining to insurance business <sup>1</sup>	178,736,575	150,365,430	117,657,935
XVI. Other expenditure	44,421,759	37,851,106	35,508,105
<b>TOTAL OPERATING EXPENSES</b>	<b>407,895,615</b>	<b>350,227,119</b>	<b>306,663,585</b>

<sup>1</sup> Includes commission expenses and reserves for actuarial liabilities (including the investible portion of the premium on the unit-linked policies).

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Accounts**

### SCHEDULE 17

Significant accounting policies

#### ***Overview***

ICICI Bank Limited, together with its subsidiaries, joint ventures and associates (collectively, the Group), is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance, venture capital and private equity, investment banking, broking and treasury products and services.

ICICI Bank Limited (the Bank), incorporated in Vadodara, India is a publicly held banking company governed by the Banking Regulation Act, 1949.

#### ***Principles of consolidation***

The consolidated financial statements include the financials of ICICI Bank, its subsidiaries, associates and joint ventures.

Entities, in which the Bank holds, directly or indirectly, through subsidiaries and other consolidating entities, more than 50.00% of the voting rights or where it exercises control, over the composition of board of directors/governing body, are fully consolidated on a line-by-line basis in accordance with the provisions of AS 21 on 'Consolidated Financial Statements'. Investments in entities where the Bank has the ability to exercise significant influence are accounted for under the equity method of accounting and the pro-rata share of their profit/(loss) is included in the consolidated profit and loss account. Assets, liabilities, income and expenditure of jointly controlled entities are consolidated using the proportionate consolidation method. Under this method, the Bank's share of each of the assets, liabilities, income and expenses of the jointly controlled entity is reported in separate line items in the consolidated financial statements. The Bank does not consolidate entities where the significant influence/control is intended to be temporary or entities which operate under severe long-term restrictions that impair their ability to transfer funds to

parent/investing entity. All significant inter-company accounts and transactions are eliminated on consolidation.

***Basis of preparation***

The accounting and reporting policies of the Group used in the preparation of the consolidated financial statements conform to Generally Accepted Accounting Principles in India (Indian GAAP), the guidelines issued by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), National Housing Bank (NHB) from time to time, and the Accounting Standards notified under Section 133 of the Companies Act, 2013 read together with paragraph 7 of the Companies (Accounts) Rules, 2014, as applicable to relevant companies and practices generally prevalent in the banking industry in India. In the case of the foreign subsidiaries, Generally Accepted Accounting Principles as applicable to the respective foreign subsidiaries are followed. The Group follows the accrual method of accounting except where otherwise stated, and the historical cost convention. In case the accounting policies followed by a subsidiary or joint venture are different from those followed by the Bank, the same have been disclosed in the respective accounting policy.

The preparation of consolidated financial statements requires the management to make estimates and assumptions that are considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the consolidated financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates.

Edgar Filing: ICICI BANK LTD - Form 20-F

The consolidated financial statements include the results of the following entities in addition to the Bank.

<b>Sr. no.</b>	<b>Name of the entity</b>	<b>Country of incorporation</b>	<b>Nature of relationship</b>	<b>Nature of business</b>	<b>Ownership interest</b>
1.	ICICI Bank UK PLC	United Kingdom	Subsidiary	Banking	100.00%
2.	ICICI Bank Canada	Canada	Subsidiary	Banking	100.00%
3.	ICICI Securities Limited	India	Subsidiary	Securities broking and merchant banking	100.00%
4.	ICICI Securities Holdings Inc.	USA	Subsidiary	Holding company	100.00%
5.	ICICI Securities Inc.	USA	Subsidiary	Securities broking	100.00%
6.	ICICI Securities Primary Dealership Limited	India	Subsidiary	Securities investment, trading and underwriting	100.00%
7.	ICICI Venture Funds Management Company Limited	India	Subsidiary	Private equity/venture capital fund management	100.00%
8.	ICICI Home Finance Company Limited	India	Subsidiary	Housing finance	100.00%
9.	ICICI Trusteeship Services Limited	India	Subsidiary	Trusteeship services	100.00%
10.	ICICI Investment Management Company Limited	India	Subsidiary	Asset management	100.00%
11.	ICICI International Limited	Mauritius	Subsidiary	Asset management	100.00%
12.	ICICI Prudential Pension Funds Management Company Limited <sup>1</sup>	India	Subsidiary	Pension fund management	100.00%
13.	ICICI Prudential Life Insurance Company Limited	India	Subsidiary	Life insurance	67.66%
14.	ICICI Lombard General Insurance Company Limited	India	Subsidiary	General insurance	63.82%
15.	ICICI Prudential Asset Management Company Limited	India	Subsidiary	Asset management company	51.00%
16.	ICICI Prudential Trust Limited	India	Subsidiary	Trustee company	50.80%
17.	ICICI Strategic Investments Fund	India	Consolidated as per AS 21	Unregistered venture capital fund	100.00%
18.	FINO PayTech Limited <sup>2</sup>	India	Associate	Support services for financial inclusion	27.05%
19.	I-Process Services (India) Private Limited <sup>2</sup>	India	Associate	Services related to back end operations	19.00%
20.	NIIT Institute of Finance Banking and Insurance Training Limited <sup>2</sup>	India	Associate	Education and training in banking and finance	18.79%
21.	ICICI Merchant Services Private Limited <sup>2</sup>	India	Associate	Merchant servicing	19.00%
22.	India Infradebt Limited <sup>2</sup>	India	Associate	Infrastructure finance	31.00%
23.	India Advantage Fund-III <sup>2</sup>	India	Associate	Venture capital fund	24.10%
24.	India Advantage Fund-IV <sup>2</sup>	India	Associate	Venture capital fund	47.14%

1. ICICI Prudential Pension Funds Management Company Limited is a wholly owned subsidiary of ICICI Prudential Life Insurance Company Limited.
2. These entities have been accounted as per the equity method as prescribed by AS 23 on 'Accounting for Investments in Associates in Consolidated Financial Statements'.
3. During the three months ended December 31, 2015, ICICI Equity Fund redeemed its units held by the Group and accordingly, ICICI Equity Fund has not been consolidated.
4. During the three months ended March 31, 2016, the Group sold its equity shareholding in I-Ven Biotech Limited and accordingly, I-Ven Biotech Limited has not been consolidated.

Comm Trade Services Limited has not been consolidated under AS 21, since the investment is temporary in nature. Falcon Tyres Limited, in which the Bank holds 26.39% equity shares has not been accounted as per equity method under AS 23, since the investment is temporary in nature.

## SIGNIFICANT ACCOUNTING POLICIES

### *1. Transactions involving foreign exchange*

The consolidated financial statements of the Group are reported in Indian rupees (Rs.), the national currency of India. Foreign currency income and expenditure items are translated as follows:

For domestic operations, at the exchange rates prevailing on the date of the transaction with the resultant gain or loss accounted for in the profit and loss account.

For integral foreign operations, at daily closing rates with the resultant gain or loss accounted for in the profit and loss account. An integral foreign operation is a subsidiary, associate, joint venture or branch of the reporting enterprise, the activities of which are based or conducted in a country other than the country of the reporting enterprise but are an integral part of the reporting enterprise.

For non-integral foreign operations, at the quarterly average closing rates with the resultant gains or losses accounted for as foreign currency translation reserve.

Monetary foreign currency assets and liabilities of domestic and integral foreign operations are translated at closing exchange rates notified by Foreign Exchange Dealers' Association of India (FEDAI) relevant to the balance sheet date and the resulting gains/losses are included in the profit and loss account.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated relevant to closing exchange rates notified by FEDAI relevant to the balance sheet date and the resulting gains/losses from exchange differences are accumulated in the foreign currency translation reserve until the disposal of the net investment in the non-integral foreign operations. On the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which has been accumulated in the foreign currency translation reserve and which relates to that operation are recognised as income or expenses in the same period in which the gain or loss on disposal is recognised.

The premium or discount arising on inception of forward exchange contracts in domestic operations that are entered to establish the amount of reporting currency required or available at the settlement date of a transaction is amortised over the life of the contract. All other outstanding forward exchange contracts are revalued based on the exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The contracts of longer maturities where exchange rates are not notified by FEDAI are revalued, based on the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the profit and loss account.



Contingent liabilities on account of guarantees, endorsements and other obligations denominated in foreign currency are disclosed at the closing exchange rates notified by FEDAI relevant to the balance sheet date.

F-23

2.

*Revenue recognition*

Interest income is recognised in the profit and loss account as it accrues except in the case of non-performing assets (NPAs) where it is recognised upon realisation, as per the income recognition and asset classification norms of RBI/NHB/other applicable guidelines. Further, the interest income on loan accounts where restructuring has been approved by the Bank under Strategic Debt Restructuring (SDR) scheme of RBI, is recognised upon realisation.

Income from finance leases is calculated by applying the interest rate implicit in the lease to the net investment outstanding on the lease over the primary lease period. Finance leases entered into prior to April 1, 2001 have been accounted for as per the Guidance Note on Accounting for Leases issued by the Institute of Chartered Accountants of India (ICAI). The finance leases entered post April 1, 2001 have been accounted for as per Accounting Standard 19 - Leases.

c) Income on discounted instruments is recognised over the tenure of the instrument.

d) Dividend income is accounted on an accrual basis when the right to receive the dividend is established.

e) Loan processing fee is accounted for upfront when it becomes due except in the case of foreign banking subsidiaries, where it is amortised over the period of the loan.

f) Project appraisal/structuring fee is accounted for on the completion of the agreed service.

g) Arranger fee is accounted for as income when a significant portion of the arrangement/syndication is completed.

h) Commission received on guarantees issued is amortised on a straight-line basis over the period of the guarantee.

i) Fund management and portfolio management fees are recognised on an accrual basis.

j) The annual/renewal fee on credit cards is amortised on a straight line basis over one year.

k) All other fees are accounted for as and when they become due.

The Bank deals in bullion business on a consignment basis. The difference between price recovered from customers and cost of bullion is accounted for at the time of sales to the customers. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on accrual basis.

m) Income from securities brokerage activities is recognised as income on the trade date of the transaction. Brokerage income in relation to public or other issuances of securities is recognised based on mobilisation and terms of

agreement with the client.

Life insurance premium for non-linked policies is recognised as income when due from policyholders. For unit linked business, premium is recognised when the associated units are created. Premium on lapsed policies is recognised as income when such policies are reinstated. Top-up premiums paid by unit linked policyholders' are considered as single premium and recognised as income when the associated units are created. Income from unit linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the linked funds in accordance with the terms and conditions of the policy and are recognised when due.

F-24

In the case of general insurance business, premium is recorded for the policy period at the commencement of risk and for instalment cases, it is recorded on instalment due dates. Premium earned is recognised as income over the period of the risk or the contract period based on 1/365 method, whichever is appropriate, on a gross basis, net of service tax. Any subsequent revision to premium is recognised over the remaining period of risk or contract period.

o) Adjustments to premium income arising on cancellation of policies are recognised in the period in which the policies are cancelled. Commission on re-insurance ceded is recognised as income in the period of ceding the risk. Profit commission under re-insurance treaties, wherever applicable, is recognised as income in the period of final determination of profits and combined with commission on reinsurance ceded.

In case of life insurance business, reinsurance premium ceded is accounted in accordance with the terms of the relevant treaty with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

In the case of general insurance business, insurance premium on ceding of the risk is recognised in the period in which the risk commences. Any subsequent revision to premium ceded is recognised in the period of such revision.

q) Adjustment to re-insurance premium arising on cancellation of policies is recognised in the period in which they are cancelled. In case of life insurance business, reinsurance premium ceded is accounted in accordance with the terms and conditions of the relevant treaties with the reinsurer. Profit commission on reinsurance ceded is netted off against premium ceded on reinsurance.

In the case of general insurance business, premium deficiency is recognised when the sum of expected claim costs and related expenses and maintenance costs exceed the reserve for unexpired risks and is computed at a company level. The expected claim cost is calculated and duly certified by the Appointed Actuary.

### 3. *Stock based compensation*

The following entities within the group have granted stock options to their employees:

ICICI Bank Limited

ICICI Prudential Life Insurance Company Limited

ICICI Lombard General Insurance Company Limited

The Employees Stock Option Scheme (the Scheme) of the Bank provides for grant of options on the Bank's equity shares to wholetime directors and employees of the Bank and its subsidiaries. The Scheme provides that employees are granted an option to subscribe to equity shares of the Bank that vest in a graded manner. The options may be exercised within a specified period. ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company have also formulated similar stock option schemes for their employees for grant of equity shares of their respective companies.

The Group, except the banking subsidiaries, follows the intrinsic value method to account for its stock-based employee compensation plans. Compensation cost is measured as the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date and amortised over the vesting period. The fair market price is the latest closing price, immediately prior to the grant date, which is generally the date of the meeting of the Board Governance, Remuneration & Nomination Committee in which the options are granted, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered. In the case of ICICI Prudential Life Insurance Company and ICICI Lombard General Insurance Company, the fair value of the shares is determined based on an external valuation report. The banking subsidiaries namely, ICICI Bank UK and ICICI Bank Canada account for the cost of the options granted to employees by ICICI Bank using the fair value method based on binomial tree model.

**4.**

***Income taxes***

Income tax expense is the aggregate amount of current tax and deferred tax expense incurred by the Group. The current tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961 and as per Accounting Standard 22 - Accounting for Taxes on Income, respectively. Deferred tax adjustments comprise changes in the deferred tax assets or liabilities during the year.

Deferred tax assets and liabilities are recognised by considering the impact of timing differences between taxable income and accounting income for the current year, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. The impact of changes in the deferred tax assets and liabilities is recognised in the profit and loss account.

Deferred tax assets are recognised and re-assessed at each reporting date, based upon the management's judgement as to whether their realisation is considered as reasonably certain. However, in case of domestic companies, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is virtual certainty of realisation of such assets.

In the consolidated financial statements, deferred tax assets and liabilities are computed at an individual entity level and aggregated for consolidated reporting.

**5.**

***Claims and benefits paid***

In the case of general insurance business, claims incurred comprise claims paid, estimated liability for outstanding claims made following a loss occurrence reported and estimated liability for claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER). Further, claims incurred also include specific claim settlement costs such as survey/legal fees and other directly attributable costs. Claims (net of amounts receivable from re-insurers/co-insurers) are recognised on the date of intimation based on management estimates or on estimates from surveyors/insured in the respective revenue account. Estimated liability for outstanding claims at the balance sheet date is recorded net of claims recoverable from/payable to co-insurers/re-insurers and salvage to the extent there is certainty of realisation. Estimated liability for outstanding claim is determined by the entity on the basis of ultimate amounts likely to be paid on each claim based on the past experience/ actuarial valuation. These estimates are progressively revalidated on availability of further information. Claims IBNR represent that amount of claims that may have been incurred during the accounting period but have not been reported or claimed. The claims IBNR provision also includes provision, if any, required for claims IBNER. Estimated liability for claims IBNR/claims IBNER is based on an actuarial estimate duly certified by the appointed actuary of the entity.

In the case of life insurance business, benefits paid comprise of policy benefits and claim settlement costs, if any. Death and rider claims are accounted for on receipt of intimation. Survival and maturity benefits are accounted when due. Withdrawals and surrenders under non linked policies are accounted on the receipt of intimation.

**6. *Liability for life policies in force***

In the case of life insurance business, the liabilities for life policies in force are calculated in accordance with accepted actuarial practice, requirements of Insurance Act, 1938 (amended by Insurance Laws (Amendment) Act, 2015) and regulations notified by the Insurance Regulatory and Development Authority of India and Actuarial Practice Standards of the Institute of Actuaries of India.

**7. *Reserve for unexpired risk***

Reserve for unexpired risk is recognised net of re-insurance ceded and represents premium written that is attributable and to be allocated to succeeding accounting periods for risks to be borne by the entity under contractual obligations on contract period basis or risk period basis, whichever is appropriate. It is calculated on a daily pro-rata basis subject to a minimum of 50.00% of the aggregated premium, written on policies during the twelve months preceding the balance sheet date for fire, marine, cargo and miscellaneous business and 100.00% for marine hull business, on all unexpired policies at balance sheet date, in accordance with the provisions of the Insurance Act, 1938.

**8. Actuarial method and valuation**

In the case of life insurance business, the actuarial liability on both participating and non-participating policies is calculated using the gross premium method, using assumptions for interest, mortality, morbidity, expense and inflation, and in the case of participating policies, future bonuses together with allowance for taxation and allocation of profits to shareholders. These assumptions are determined as prudent estimates at the date of valuation with allowances for adverse deviations.

The greater of liability calculated using discounted cash flows and unearned premium reserves is held for the unexpired portion of the risk for the non-unit liabilities of linked business and attached riders.

The unit liability in respect of linked business has been taken as the value of the units standing to the credit of policyholders, using the Net Asset Value (NAV) prevailing at the valuation date.

An unexpired risk reserve and a reserve in respect of claims incurred but not reported are created, for one year renewable group term insurance.

The interest rates used for valuing the liabilities are in the range of 4.92% to 5.53% per annum (previous year – 4.47% to 5.39% per annum).

Mortality rates used are based on the published “Indian Assured Lives Mortality (2006 – 2008) Ult.” mortality table for assurances and LIC 96-98 table for annuities, adjusted to reflect expected experience while morbidity rates used are based on CIBT 93 table, adjusted for expected experience, or on risk rates supplied by reinsurers.

Expenses are provided for at current levels, in respect of renewal expenses, with no allowance for future improvements but with an allowance for any expected worsening. Per policy renewal expenses for regular premium policies are assumed to inflate at 5.18% (previous year – 4.49%).

**9. Acquisition costs for insurance business**

Acquisition costs are those costs that vary with and are primarily related to the acquisition of insurance contracts and are expensed in the period in which they are incurred.



**10.**

***Employee benefits***

***Gratuity***

The Group pays gratuity, a defined benefit plan, to employees who retire or resign after a minimum prescribed period of continuous service and in case of employees at overseas locations as per the rules in force in the respective countries. The Group makes contribution to trusts which administer the funds on their own account or through insurance companies.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

F-27

Actuarial valuation of the gratuity liability is determined by an actuary appointed by the Group. Actuarial valuation of gratuity liability is determined based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

### ***Superannuation fund and National Pension Scheme***

The Bank contributes 15.00% of the total annual basic salary of certain employees to superannuation funds, a defined contribution plan, managed and administered by insurance companies. Further, the Bank contributes 10.00% of the total basic salary of certain employees to National Pension Scheme (NPS), a defined contribution plan, which is managed and administered by pension fund management companies. The Bank also gives an option to its employees allowing them to receive the amount in lieu of such contributions along with their monthly salary during their employment.

The amounts so contributed/paid by the Bank to the superannuation fund and NPS or to employee during the year are recognised in the profit and loss account.

ICICI Prudential Life Insurance Company, ICICI Prudential Asset Management Company and ICICI Venture Funds Management Company have accrued for superannuation liability based on a percentage of basic salary payable to eligible employees for the period of service.

### ***Pension***

The Bank provides for pension, a defined benefit plan covering eligible employees of erstwhile Bank of Madura, erstwhile Sangli Bank and erstwhile Bank of Rajasthan. The Bank makes contribution to a trust which administers the funds on its own account or through insurance companies. The plan provides for pension payment including dearness relief on a monthly basis to these employees on their retirement based on the respective employee's years of service with the Bank and applicable salary.

Actuarial valuation of the pension liability is determined by an actuary appointed by the Bank. Actuarial valuation of pension liability is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff attrition as per the projected unit credit method.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

Employees covered by the pension plan are not eligible for employer's contribution under the provident fund plan.

*Provident fund*

The Group is statutorily required to maintain a provident fund, a defined benefit plan, as a part of retirement benefits to its employees. Each employee contributes a certain percentage of his or her basic salary and the Group contributes an equal amount for eligible employees. The Group makes contribution as required by The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 to Employees' Pension Scheme administered by the Regional Provident Fund Commissioner and the balance contributions are transferred to funds administered by trustees. The funds are invested according to the rules prescribed by the Government of India.

Actuarial valuation for the interest rate guarantee on the provident fund balances is determined by an actuary appointed by the Group.

The actuarial gains or losses arising during the year are recognised in the profit and loss account.

The employees of the overseas branches of the Bank contribute a certain percentage of their salary and the overseas branches contribute an equal amount for eligible employees towards respective government schemes. The contribution by the overseas branches is recognised in profit and loss account at the time of contribution.

### ***Leave encashment***

The Group provides for leave encashment benefit based on actuarial valuation conducted by an independent actuary.

## ***11. Provisions, contingent liabilities and contingent assets***

The Group estimates the probability of any loss that might be incurred on outcome of contingencies on the basis of information available upto the date on which the consolidated financial statements are prepared. A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are determined based on management estimates of amounts required to settle the obligation at the balance sheet date, supplemented by experience of similar transactions. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made in the consolidated financial statements. In case of remote possibility, neither provision nor disclosure is made in the consolidated financial statements. The Group does not account for or disclose contingent assets, if any.

The Bank estimates the probability of redemption of customer loyalty reward points using an actuarial method by employing an independent actuary and accordingly makes provision for these reward points. Actuarial valuation is determined based on certain assumptions regarding mortality rate, discount rate, cancellation rate and redemption rate.

## ***12. Cash and cash equivalents***

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

## ***13. Investments***

Investments of the Bank are accounted for in accordance with the extant RBI guidelines on investment classification and valuation as given below.

i)

All investments are classified into 'Held to Maturity', 'Available for Sale' and 'Held for Trading'. Reclassifications, if any, in any category are accounted for as per the RBI guidelines. Under each classification, the investments are further categorised as (a) government securities, (b) other approved securities, (c) shares, (d) bonds and debentures and (e) others.

'Held to Maturity' securities are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of fixed rate and floating rate securities acquired is amortised over the remaining period to maturity on a constant yield basis and straight line basis respectively.

'Available for Sale' and 'Held for Trading' securities are valued periodically as per RBI guidelines. Any premium over the face value of fixed rate and floating rate investments in government securities, classified as 'Available for Sale', is amortised over the remaining

period to maturity on constant yield basis and straight line basis respectively. Quoted investments are valued based on the trades/quotes on the recognised stock exchanges, subsidiary general ledger account transactions, price list of RBI or prices declared by Primary Dealers Association of India jointly with Fixed Income Money Market and Derivatives Association (FIMMDA), periodically.

The market/fair value of unquoted government securities which are in the nature of Statutory Liquidity Ratio (SLR) securities included in the 'Available for Sale' and 'Held for Trading' categories is as per the rates published by FIMMDA. The valuation of other unquoted fixed income securities, including Pass Through Certificates, wherever linked to the Yield-to-Maturity (YTM) rates, is computed with a mark-up (reflecting associated credit risk) over the YTM rates for government securities published by FIMMDA.

Unquoted equity shares are valued at the break-up value, if the latest balance sheet is available or at Rs. 1, as per RBI guidelines.

Securities are valued scrip-wise. Depreciation/appreciation on securities other than those acquired by way of conversion of outstanding loans, is aggregated for each category. Net appreciation in each category, if any, being unrealised, is ignored, while net depreciation is provided for. The depreciation on securities acquired by way of conversion of outstanding loan is fully provided for. Non-performing investments are identified based on the RBI guidelines.

Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.

d) Treasury bills, commercial papers and certificate of deposits being discounted instruments, are valued at carrying cost.

e) The units of mutual funds are valued at the latest repurchase price/net asset value declared by the mutual fund.

f) Costs including brokerage and commission pertaining to investments, paid at the time of acquisition, are charged to the profit and loss account. Cost of investments is computed based on the First-In-First-Out (FIFO) method.

g) Profit/loss on sale of investments in the 'Held to Maturity' category is recognised in the profit and loss account and profit is thereafter appropriated (net of applicable taxes and statutory reserve requirements) to Capital Reserve. Profit/loss on sale of investments in 'Available for Sale' and 'Held for Trading' categories is recognised in the profit and loss account.

h)

Market repurchase and reverse repurchase transactions, are accounted for as borrowing and lending transactions respectively in accordance with the extant RBI guidelines. The transactions with RBI under Liquidity Adjustment Facility (LAF) are accounted for as borrowing and lending transactions.

i) Broken period interest (the amount of interest from the previous interest payment date till the date of purchase/sale of instruments) on debt instruments is treated as a revenue item.

At the end of each reporting period, security receipts issued by the asset reconstruction companies are valued in accordance with the guidelines applicable to such instruments, prescribed by RBI from time to time. Accordingly, in cases where the cash flows from security receipts issued by the asset reconstruction companies are limited to the actual realisation of the financial assets assigned to the instruments in the concerned scheme, the Bank reckons the net asset value obtained from the asset reconstruction company from time to time, for valuation of such investments at each reporting period end. The security receipts which are outstanding and not redeemed as at the end of the resolution period are treated as loss assets and are fully provided for.

The Bank follows trade date method of accounting for purchase and sale of investments, except for government of k) India and state government securities where settlement date method of accounting is followed in accordance with RBI guidelines.

The Bank undertakes short sale transactions in dated central government securities in accordance with RBI l) guidelines. The short positions are categorised under HFT category and are marked-to-market. The mark-to-market loss is charged to profit and loss account and gain, if any, is ignored as per RBI guidelines.

The Bank's consolidating venture capital funds carry investments at fair values, with unrealised gains and temporary losses on investments recognised as components of investors' equity and accounted for in the unrealised investment reserve account. The realised gains and losses on investments and units in mutual funds and unrealised gains or losses on revaluation of units in mutual funds are accounted for in the profit and loss account. Provisions are made in respect of accrued income considered doubtful. Such provisions as well as any subsequent recoveries are recorded through the profit and loss account. Subscription to/purchase of investments are accounted at the cost of acquisition inclusive of brokerage, commission and stamp duty. Bonus shares and right entitlements are recorded ii) when such benefits are known. Quoted investments are valued on the valuation date at the closing market price. Quoted investments that are not traded on the valuation date but are traded during the two months prior to the valuation date are valued at the latest known closing price. An appropriate discount is applied where the asset management company considers it necessary to reflect restrictions on disposal. Quoted investments not traded during the two months prior to the valuation date are treated as unquoted. Unquoted investments are valued at their estimated fair values by applying appropriate valuation methods. Where there is a decline, other than temporary in the carrying amounts of investments, the resultant reduction in the carrying amount is charged to the profit and loss account during the period in which such decline is identified.

The Bank's primary dealership and securities broking subsidiaries classify the securities held with the intention of holding for short-term and trading as stock-in-trade which are valued at lower of cost or market value. The iii) securities classified by primary dealership subsidiary as held-to-maturity, as permitted by RBI, are carried at amortised cost. Appropriate provision is made for other than temporary diminution in the value of investments. Commission earned in respect of securities acquired upon devolvement is reduced from the cost of acquisition.

iv) The Bank's housing finance subsidiary classifies its investments as current investments and long-term investments. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments, which are carried at the lower of cost and net realisable value. All other investments are classified as long-term investments, which are carried at their acquisition cost or at amortised cost, if acquired at a premium over the face value. Any premium over the face value of the securities acquired is amortised over the remaining period to maturity on a constant yield basis. However, a provision for diminution in value is made to recognise any other than temporary decline in the value of such long-term investments.

v) The Bank's overseas banking subsidiaries account for unrealised gain/loss, net of tax, on investment in 'Available for Sale' category directly in their reserves. Further unrealised gain/loss on investment in 'Held for Trading' category is accounted directly in the profit and loss account. Investments in 'Held to Maturity' category are carried at amortised cost.



In the case of life and general insurance businesses, investments are made in accordance with the Insurance Act, vi) 1938 (amended by the Insurance Laws (Amendment) Act, 2015), the IRDA (Investment) Regulations, 2000, and various other circulars/notifications issued by the IRDAI in this context from time to time.

F-31

In the case of life insurance business, valuation of investments (other than linked business) is done on the following basis:

All debt securities and redeemable preference shares are considered as 'Held to Maturity' and accordingly stated at  
a. historical cost, subject to amortisation of premium or accretion of discount over the period of maturity/holding on a constant yield basis.

Listed equity shares are stated at fair value being the last quoted closing price on the National Stock Exchange  
b. (NSE) (or BSE, in case the investments are not listed on NSE).

c. Mutual fund units are valued based on the previous day's net asset value.

Unrealised gains/losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken to 'Revenue and other reserves' and 'Liabilities on policies in force' in the balance sheet for Shareholders' fund and Policyholders' fund respectively for life insurance business.

In the case of general insurance business, valuation of investments is done on the following basis:

All debt securities including government securities and non-convertible preference shares are considered as 'Held to  
a. Maturity' and accordingly stated at amortised cost determined after amortisation of premium or accretion of discount on a constant yield basis over the holding/maturity period.

Listed equities and convertible preference shares at the balance sheet date are stated at fair value, being the last  
b. quoted closing price on the NSE and in case these are not listed on NSE, then based on the last quoted closing price on the BSE.

Mutual fund investments (other than venture capital fund) are stated at fair value, being the closing net asset value at  
c. balance sheet date.

d. Investments other than mentioned above are valued at cost.

Unrealised gains/losses arising due to changes in the fair value of listed equity shares and mutual fund units are taken to 'Revenue and other reserves' in the balance sheet for general insurance business.

Insurance subsidiaries assess at each balance sheet date whether there is any indication that any investment may be impaired. If any such indication exists, the carrying value of such investment is reduced to its recoverable amount and the impairment loss is recognised in the revenue(s)/profit and loss account.

The total proportion of investments for which subsidiaries have applied accounting policies different from the Bank as mentioned above, is approximately 21.48% of the total investments at March 31, 2016.

**14. Provisions/write-offs on loans and other credit facilities**

i) Loans and other credit facilities of the Bank are accounted for in accordance with the extant RBI guidelines as given below:

F-32

The Bank classifies its loans and investments, including at overseas branches and overdues arising from crystallised derivative contracts, into performing and NPAs in accordance with RBI guidelines. Loans and advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant RBI guidelines, are classified as NPAs to the extent of amount outstanding in the host country. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by RBI.

In the case of corporate loans and advances, provisions are made for sub-standard and doubtful assets at rates prescribed by RBI. Loss assets and the unsecured portion of doubtful assets are provided/written-off as per the extant RBI guidelines. For loans and advances booked in overseas branches, which are standard as per the extant RBI guidelines but are classified as NPAs based on host country guidelines, provisions are made as per the host country regulations. For loans and advances booked in overseas branches, which are NPAs as per the extant RBI guidelines and as per host country guidelines, provisions are made at the higher of the provisions required under RBI regulations and host country regulations. Provisions on homogeneous retail loans and advances, subject to minimum provisioning requirements of RBI, are assessed at a borrower level, on the basis of the ageing of the loans in the non-performing category. In respect of loans classified as fraud, the entire amount, without considering the value of security, is provided for over a period of four quarters starting from the quarter in which fraud has been detected. In accounts where there has been delay in reporting the fraud to the RBI, the entire amount is provided immediately. In respect of borrowers classified as non-cooperative borrowers, wilful defaulters and NPAs covered under distressed assets framework of RBI, the Bank makes accelerated provisions as per extant RBI guidelines.

The Bank holds specific provisions against non-performing loans and advances, and against certain performing loans and advances in accordance with RBI directions. The Bank also holds provisions on loans under SDR scheme of RBI. The assessment of incremental specific provisions is made after taking into consideration the existing specific provision held. The specific provisions on retail loans and advances held by the Bank are higher than the minimum regulatory requirements.

b) Provision due to diminution in the fair value of restructured/rescheduled loans and advances is made in accordance with the applicable RBI guidelines.

In respect of non-performing loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period. A standard restructured loan is upgraded to the standard category when satisfactory payment performance is evidenced during the specified period and after the loan reverts to the normal level of standard asset provisions/risk weights.

c) Amounts recovered against debts written-off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognised in the profit and loss account.

The Bank maintains general provision on performing loans and advances in accordance with the RBI guidelines, including provisions on loans to borrowers having unhedged foreign currency exposure, provision on exposures to step-down subsidiaries of Indian companies and floating provision taken over from erstwhile Bank of Rajasthan upon amalgamation. For performing loans and advances in overseas branches, the general provision is made at higher of host country regulations requirement and RBI requirement.

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposures including indirect country risk (other than for home country exposure). The countries are categorised into seven risk categories namely insignificant, low, moderately low, moderate, moderately high, high and very high, and provisioning is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 25%. For exposures with contractual maturity of less than 180 days, provision is required to be held at 25% of the rates applicable to exposures exceeding 180 days. The indirect exposure is reckoned at 50% of the exposure. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is required on such country exposure.

In the case of the Bank's housing finance subsidiary, loans and other credit facilities are classified as per the NHB guidelines into performing and non-performing assets. Further, NPAs are classified into sub-standard, doubtful and loss assets based on criteria stipulated by NHB. Additional provisions are made against specific non-performing assets over and above what is stated above, if in the opinion of the management, increased provisions are necessary.

In the case of the Bank's overseas banking subsidiaries, loans are stated net of allowance for credit losses. Loans are classified as impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition on the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loans that can be reliably estimated. An allowance for impairment losses is maintained at a level that management considers adequate to absorb identified credit related losses as well as losses that have occurred but have not yet been identified.

The total proportion of loans for which subsidiaries have applied accounting policies different from the Bank as mentioned above, is approximately 10.22% of the total loans at March 31, 2016.

## 15.

### *Transfer and servicing of assets*

The Bank transfers commercial and consumer loans through securitisation transactions. The transferred loans are de-recognised and gains/losses are accounted for, only if the Bank surrenders the rights to benefits specified in the underlying securitised loan contract. Recourse and servicing obligations are accounted for net of provisions.

In accordance with the RBI guidelines for securitisation of standard assets, with effect from February 1, 2006, the Bank accounts for any loss arising from securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the securities issued or to be issued by the special purpose vehicle to which the assets are sold. With effect from May 7, 2012, the RBI guidelines require the profit/premium arising from securitisation to be amortised over the life of the transaction based on the method prescribed in the guidelines.

In the case of loans sold to an asset reconstruction company, the excess provision is not reversed but is utilised to meet the shortfall/loss on account of sale of other financial assets to securitisation company (SC)/reconstruction company (RC) in accordance with RBI guideline dated July 13, 2005. With effect from February 26, 2014, in accordance with RBI guidelines, in case of non-performing loans sold to SCs/RCs, the Bank reverses the excess provision in profit and loss account in the year in which amounts are received.

F-34

The Canadian subsidiary has entered into securitisation arrangements in respect of its originated and purchased mortgages. ICICI Bank Canada either retains substantially all the risk and rewards or retains control over these mortgages, hence these arrangements do not qualify for de-recognition accounting under their local accounting standards. It continues to recognise the mortgages securitised as “Loans and Advances” and the amounts received through securitisation are recognised as “Other borrowings”.

**16. Fixed assets and depreciation**

Premises and other fixed assets are carried at cost less accumulated depreciation and impairment, if any. Cost includes freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Depreciation is charged over the estimated useful life of a fixed asset on a straight-line basis. The useful life of fixed assets for domestic group companies is based on past experience and expectation of usage, which for some categories of fixed assets, is different from the useful life as prescribed in Schedule II of the Companies Act, 2013.

Assets purchased/sold during the period are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

In case of the Bank, items costing up to Rs. 5,000/- are depreciated fully over a period of 12 months from the date of purchase. Further, profit on sale of premises by the Bank is appropriated to capital reserve, net of transfer to statutory reserve and taxes, in accordance with RBI guidelines.

In case of revalued/impaired assets, depreciation is provided over the remaining useful life of the assets with reference to revised asset values.

**17. Accounting for derivative contracts**

The Group enters into derivative contracts such as foreign currency options, interest rate and currency swaps, credit default swaps and cross currency interest rate swaps.

The swap contracts entered to hedge on-balance sheet assets and liabilities are structured such that they bear an opposite and offsetting impact with the underlying on-balance sheet items. The impact of such derivative instruments is co-related with the movement of underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. Hedge swaps are accounted for on an accrual basis and are not marked to market unless their underlying transaction is marked to market, except in the case of the Bank’s United Kingdom and Canadian banking subsidiaries, where the hedging transactions and the hedged items (for the risks being hedged) are measured at fair value with

changes recognised in the profit and loss account.

Foreign currency and rupee derivative contracts entered into for trading purposes are marked to market and the resulting gain or loss, (net of provisions, if any) is accounted for in the profit and loss account. Pursuant to RBI guidelines, any receivables under derivative contracts which remain overdue for more than 90 days and mark-to-market gains on other derivative contracts with the same counter-parties are reversed through the profit and loss account.

F-35



**18. *Impairment of assets***

The immovable fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is treated as impaired when its carrying amount exceeds its recoverable amount. The impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the impaired assets exceeds their recoverable value.

**19. *Lease transactions***

Lease payments for assets taken on operating lease are recognised as an expense in the profit and loss account over the lease term on straight line basis.

**20. *Earnings per share***

Basic and diluted earnings per share are computed in accordance with Accounting Standard 20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share is computed using the weighted average number of equity shares and dilutive potential equity shares issued by the group outstanding during the year, except where the results are anti-dilutive.

**SCHEDULE 18: NOTES FORMING PART OF THE ACCOUNTS**

A. The following additional disclosures have been made taking into account the requirements of Accounting Standards (ASs) and Reserve Bank of India (RBI) guidelines in this regard.

***1. Earnings per share***

Basic and diluted earnings per equity share are computed in accordance with AS 20–Earnings per share. Basic earnings per equity share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year. The diluted earnings per equity share is computed using the weighted average number of equity shares and weighted average number of dilutive potential equity shares outstanding during the year.

The following table sets forth, for the periods indicated, the computation of earnings per share.

Rupees in million, except per share data

	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
<b>Basic</b>		
Weighted average no. of equity shares outstanding	5,807,339,489	5,785,726,485
Net profit	101,799.6	122,468.7
Basic earnings per share (Rs.)	17.53	21.17
<b>Diluted</b>		
Weighted average no. of equity shares outstanding	5,840,224,893	5,842,092,456
Net profit	101,703.1	122,340.2
Diluted earnings per share (Rs.)	17.41	20.94
Nominal value per share (Rs.)	2.00	2.00
The dilutive impact is due to options granted to employees by the Group.		

***2. Related party transactions***

The Group has transactions with its related parties comprising associates/other related entities and key management personnel and their relatives.

**Associates/other related entities**

Edgar Filing: ICICI BANK LTD - Form 20-F

FINO PayTech Limited, I-Process Services (India) Private Limited, NIIT Institute of Finance Banking and Insurance Training Limited, Comm Trade Services Limited, ICICI Foundation for Inclusive Growth, ICICI Merchant Services Private Limited, India Infradebt Limited, India Advantage Fund-III, India Advantage Fund-IV, Catalyst Management Services Private Limited and Akzo Nobel India Limited.

India Advantage Fund-IV has been identified as a related party during the three months ended September 30, 2014.

F-37

### **Key management personnel**

Ms. Chanda Kochhar, Mr. N. S. Kannan, Ms. Vishakha Mulye<sup>1</sup>, Mr. K. Ramkumar, Mr. Rajiv Sabharwal.

1. Identified as related party from the three months ended March 31, 2016.

### **Relatives of key management personnel**

Mr. Deepak Kochhar, Mr. Arjun Kochhar, Ms. Aarti Kaji, Mr. Mahesh Advani, Ms. Rangarajan Kumudalakshmi, Ms. Aditi Kannan, Ms. Sudha Narayanan, Mr. Raghunathan Narayanan, Mr. Rangarajan Narayanan, Mr. Vivek Mulye<sup>1</sup>, Ms. Vriddhi Mulye<sup>1</sup>, Mr. Gauresh Palekar<sup>1</sup>, Ms. Shalaka Gadekar<sup>1</sup>, Ms. Jaya Ramkumar, Mr. R. Shyam, Ms. R. Suchithra, Mr. K. Jayakumar, Mr. R. Krishnaswamy, Ms. J. Krishnaswamy, Ms. Pushpa Muralidharan, Ms. Malathi Vinod, Ms. Sangeeta Sabharwal, Mr. Kartik Sabharwal, Mr. Arnav Sabharwal and Mr. Sanjiv Sabharwal.

1. Identified as related parties from the three months ended March 31, 2016.

The following were the significant transactions between the Group and its related parties for the year ended March 31, 2016. A specific related party transaction is disclosed as a material related party transaction wherever it exceeds 10% of all related party transactions in that category.

### **Insurance services**

During the year ended March 31, 2016, the Group received insurance premiums from associates/other related entities amounting to Rs. 42.1 million (March 31, 2015: Rs. 34.4 million), from key management personnel of the Bank amounting to Rs. 3.3 million (March 31, 2015: Rs. 1.3 million) and from relatives of key management personnel amounting to Rs. 2.0 million (March 31, 2015: Rs. 1.3 million). The material transactions for the year ended March 31, 2016 were with ICICI Foundation for Inclusive Growth amounting to Rs. 22.5 million (March 31, 2015: Rs. 16.0 million) and with FINO PayTech Limited amounting to Rs. 13.3 million (March 31, 2015: Rs. 12.1 million).

During the year ended March 31, 2016, the Group paid insurance claims to associates/other related entities amounting to Rs. 22.1 million (March 31, 2015: Rs. 0.3 million) and to relatives of key management personnel of the Bank amounting to Nil (March 31, 2015: Rs. 0.6 million). The material transactions for the year ended March 31, 2016 were with FINO PayTech Limited amounting to Rs. 12.7 million (March 31, 2015: Nil), Akzo Nobel India Limited amounting to Rs. 9.2 million (March 31, 2015: Nil) and with I-Process Services (India) Private Limited amounting to Rs. 0.2 million (March 31, 2015: Rs. 0.3 million).

**Fees, commission and other income**

During the year ended March 31, 2016, the Group received fees from its associates/other related entities amounting to Rs. 21.1 million (March 31, 2015: Rs. 30.7 million), from key management personnel of the Bank amounting to Rs. 0.3 million (March 31, 2015: Rs. 1.7 million) and from relatives of key management personnel amounting to Rs. 0.1 million (March 31, 2015: Rs. 0.0<sup>1</sup> million). The material transactions for the year ended March 31, 2016 were with India Infradebt Limited amounting to Rs. 17.2 million (March 31, 2015: Rs. 9.2 million), ICICI Merchant Services Private Limited amounting to Rs. 3.4 million (March 31, 2015: Rs. 5.5 million) and with India Advantage Fund - IV amounting to Rs. 0.0<sup>1</sup> million (March 31, 2015: Rs. 12.5 million).

1. Insignificant amount.

**Lease of premises, common corporate and facilities expenses**

During the year ended March 31, 2016, the Group recovered from its associates/other related entities an amount of Rs. 87.1 million (March 31, 2015: Rs. 80.4 million) for lease of premises, common corporate and facilities expenses. The material transactions for the year ended March 31, 2016 were with ICICI

Foundation for Inclusive Growth amounting to Rs. 57.1 million (March 31, 2015: Rs. 52.0 million) and with FINO PayTech Limited amounting to Rs. 23.2 million (March 31, 2015: Rs. 22.9 million).

### **Secondment of employees**

During the year ended March 31, 2016, the Group recovered for deputation of employees from its associates/other related entities an amount of Rs. 10.7 million (March 31, 2015: Rs. 19.2 million). The material transactions for the year ended March 31, 2016 were with I-Process Services (India) Private Limited amounting to Rs. 7.5 million (March 31, 2015: Rs. 7.1 million) and with ICICI Foundation for Inclusive Growth amounting to Rs. 3.2 million (March 31, 2015: Rs. 12.1 million).

### **Brokerage, fees and other expenses**

During the year ended March 31, 2016, the Group paid brokerage/fees and other expenses to its associates/other related entities amounting to Rs. 5,338.7 million (March 31, 2015: Rs. 4,876.1 million). The material transactions for the year ended March 31, 2016 were with I-Process Services (India) Private Limited amounting to Rs. 2,915.9 million (March 31, 2015: Rs. 2,397.7 million) and with ICICI Merchant Services Private Limited amounting to Rs. 2,341.3 million (March 31, 2015: Rs. 2,216.0 million).

### **Purchase of investments**

During the year ended March 31, 2016, the Group invested in the units of India Advantage Fund-IV amounting to Nil (March 31, 2015: Rs. 1,970.4) and in the units of India Advantage Fund-III amounting to Nil (March 31, 2015: Rs. 1,163.5 million).

During the year ended March 31, 2016, the Group invested in the non-convertible debentures (NCDs) issued by India Infradebt Limited amounting to Rs. 4,242.0 million (March 31, 2015: Rs. 800.0 million). During the year ended March 31, 2016, ICICI Securities Primary Dealership Limited invested Rs. 3,642.0 million (March 31, 2015: Rs. 550.0 million) and ICICI Prudential Life Insurance Company Limited invested Rs. 600.0 million (March 31, 2015: Rs. 250.0 million).

### **Redemption/buyback of investments**

During the year ended March 31, 2016, the Group received Rs. 453.6 million (March 31, 2015: Rs. 280.9 million) from India Advantage Fund-III and Rs. 445.8 million (March 31, 2015: Rs. 101.8 million) from India Advantage Fund-IV on account of redemption of units and distribution of gain/loss on units.

### **Income on custodial services**

During the year ended March 31, 2016, the Group received custodial charges from its associates/other related entities amounting to Rs. 1.5 million (March 31, 2015: Rs. 1.1 million). The material transactions for the year ended March 31, 2016 were with India Advantage Fund - III amounting to Rs. 0.8 million (March 31, 2015: Rs. 0.7 million) and with India Advantage Fund - IV amounting to Rs. 0.6 million (March 31, 2015: Rs. 0.4 million).

### **Interest expenses**

During the year ended March 31, 2016, the Group paid interest to its associates/other related entities amounting to Rs. 97.6 million (March 31, 2015: Rs. 235.3 million), to its key management personnel amounting to Rs. 3.8 million (March 31, 2015: Rs. 6.2 million) and to relatives of key management personnel amounting to Rs. 3.3 million (March 31, 2015: Rs. 2.3 million). The material transaction for the year ended March 31, 2016 was with India Infradebt Limited amounting to Rs. 88.0 million (March 31, 2015: Rs. 232.0 million).

## Interest income

During the year ended March 31, 2016, the Group received interest from its associates/other related entities amounting to Rs. 118.5 million (March 31, 2015: Rs. 71.3 million), from its key management personnel of the Bank amounting to Rs. 1.6 million (March 31, 2015: Rs. 1.0 million) and from relatives of key management personnel amounting to Rs. 0.8 million (March 31, 2015: Rs. 1.5 million). The material transactions for the year ended March 31, 2016 were with India Infradebt Limited amounting to Rs. 70.2 million (March 31, 2015: Rs. 23.1 million) and with ICICI Merchant Services Private Limited amounting to Rs. 48.1 million (March 31, 2015: Rs. 48.0 million).

## Dividend paid

During the year ended March 31, 2016, the Bank paid dividend to its key management personnel amounting to Rs. 13.8 million (March 31, 2015: Rs. 10.0 million) and to relatives of key management personnel amounting to Rs. 0.0<sup>1</sup> million (March 31, 2015: Rs. 0.0<sup>1</sup> million). The dividend paid during the year ended March 31, 2016 to Ms. Chanda Kochhar was Rs. 11.1 million (March 31, 2015: Rs. 7.9 million), to Mr. N. S. Kannan was Rs. 2.1 million (March 31, 2015: Rs. 1.1 million), and to Mr. Rajiv Sabharwal was Rs. 0.6 million (March 31, 2015: Rs. 1.0 million).

1. Insignificant amount.

## Remuneration to whole-time directors

Remuneration paid to the whole-time directors of the Bank, excluding the perquisite value on account of employee stock options exercised, during the year ended March 31, 2016 was Rs. 219.0 million (March 31, 2015: Rs. 164.5 million). The remuneration paid for the year ended March 31, 2016 to Ms. Chanda Kochhar was Rs. 68.8 million (March 31, 2015: Rs. 53.5 million), to Mr. N. S. Kannan was Rs. 47.2 million (March 31, 2015: Rs. 37.4 million), to Ms. Vishakha Mulye<sup>1</sup> Rs. 10.1 million (March 31, 2015: N.A.), to Mr. K. Ramkumar was Rs. 48.1 million (March 31, 2015: Rs. 38.6 million) and to Mr. Rajiv Sabharwal was Rs. 44.8 million (March 31, 2015: Rs. 35.0 million).

1. Identified as related party from the three months ended March 31, 2016.

## Donation

During the year ended March 31, 2016, the Group has given donation to ICICI Foundation for Inclusive Growth amounting to Rs. 861.6 million (March 31, 2015: Rs. 707.3 million).





**Related party balances**

The following table sets forth, for the periods indicated, the balance payable to/receivable from its associates/other related entities:

Rs. in million

<b>Items</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
Deposits with the Group	1,004.3	2,033.9
Advances	0.4	1.2
Investments of the Group in related parties	5,362.6	5,683.3
Payables	730.4	653.4
Receivables	37.5	69.1
Guarantees issued by the Group	0.5	0.0 <sup>1</sup>
1. Insignificant amount		

The following table sets forth, for the periods indicated, the balance payable to/receivable from key management personnel:

Rs. in million, except number of shares

<b>Items</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
Deposits	35.8	97.4
Advances	54.7	37.0
Investments	7.2	5.2
Employee Stock Options Outstanding (Numbers)	29,811,500	19,255,000

During the year ended March 31, 2016, 723,500 employee stock options with exercise price of Rs. 75.3 million were exercised by the Key Management Personnel of the Bank (March 31, 2015: 3,170,000 with exercise price of Rs. 542.5 million).

The following table sets forth, for the periods indicated, the balance payable to/receivable from relatives of key management personnel:

Rs. in million

<b>Items</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
Deposits	63.6	42.3
Advances	7.9	15.0

The following table sets forth, for the periods indicated, the maximum balance payable to/receivable from key management personnel:

Rs. in million

Items	Year ended March 31, 2016	Year ended March 31, 2015
Deposits	192.8	218.5
Advances	55.3	38.1
Investments <sup>1</sup>	7.2	5.2

1. Maximum balances are determined based on comparison of the total outstanding balances at each quarter end during the financial year.

The following table sets forth, for the periods indicated, the maximum balance payable to/receivable from relatives of key management personnel:

Rs. in million

Items	Year ended March 31, 2016	Year ended March 31, 2015
Deposits	93.7	42.3
Advances	15.0	18.2

### 3. *Employee Stock Option Scheme (ESOS)*

In terms of the ESOS, as amended, the maximum number of options granted to any eligible employee in a financial year shall not exceed 0.05% of the issued equity shares of the Bank at the time of grant of the options and aggregate of all such options granted to the eligible employees shall not exceed 10% of the aggregate number of the issued equity shares of the Bank on the date(s) of the grant of options. Under the stock option scheme, eligible employees are entitled to apply for equity shares. Options granted prior to March, 2014, except mentioned below, vest in a graded manner over a four-year period, with 20%, 20%, 30% and 30% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. Options granted in April, 2009 vest in a graded manner over a five-year period with 20%, 20%, 30% and 30% of grant vesting each year, commencing from the end of 24 months from the date of grant. Options granted in September, 2011 vest in a graded manner over a five-years period with 15%, 20%, 20% and 45% of grant vesting each year, commencing from the end of 24 months from the date of the grant. Options granted after March, 2014 vest in a graded manner over a three-year period with 30%, 30% and 40% of the grant vesting in each year, commencing from the end of 12 months from the date of grant other than certain options granted in April 2014 which will vest to the extent of 50% on April 30, 2017 and the balance on April 30, 2018. The options granted in September 2015 will vest to the extent of 50% on April 30, 2018 and 50% on April 30, 2019. However for the options granted in September 2015 if the participant's employment terminates due to retirement (including pursuant to any early/voluntary retirement scheme), the whole of the unvested options would lapse. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. The exercise price of Bank's options, except mentioned below, was the last closing price on the stock exchange which recorded highest trading volume, one day prior to the date of grant of options. Hence, there was no compensation cost based on intrinsic value of options.

In February 2011, the Bank granted 15,175,000 options to eligible employees and whole-time Directors of the Bank and certain of its subsidiaries at an exercise price of Rs. 193.40. Of these options granted, 50% vested on April 30, 2014 and the balance 50% vested on April 30, 2015. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later. Based on intrinsic value of options, compensation cost of Rs. 0.8 million was recognised during the year ended March 31, 2016 (March 31, 2015: Rs. 16.4 million).

If the Bank had used the fair value of options based on binomial tree model, compensation cost in the year ended March 31, 2016 would have been higher by Rs. 3,726.5 million and proforma profit after tax would have been Rs. 93.54 billion. On a proforma basis, the Bank's basic and diluted earnings per share would have been Rs. 16.11 and Rs. 16.02 respectively. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2016 are given below.

Risk-free interest rate	7.58% to 8.19%
Expected life	3.16 to 5.78 years
Expected volatility	30.67% to 32.77%
Expected dividend yield	1.62% to 2.11%

The weighted average fair value of options granted during the year ended March 31, 2016 was Rs. 100.50 (March 31, 2015: Rs. 90.09).

The following table sets forth, for the periods indicated, the summary of the status of the Bank's stock option plan.

Rs.except number of options

Particulars	Stock options outstanding		Year ended March 31, 2015	
	Year ended March 31, 2016		Year ended March 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	148,433,700	205.02	140,521,765	183.74
Add: Granted during the year	64,904,500	289.28	32,375,500	259.96
Less: Lapsed during the year, net of re-issuance	4,189,850	260.67	1,382,765	235.40
Less: Exercised during the year	17,523,785	161.16	23,080,800	150.66
<b>Outstanding at the end of the year</b>	<b>191,624,565</b>	<b>236.36</b>	<b>148,433,700</b>	<b>205.02</b>
<b>Options exercisable</b>	<b>89,788,515</b>	<b>198.08</b>	<b>75,938,800</b>	<b>180.80</b>

The following table sets forth, the summary of stock options outstanding at March 31, 2016.

Range of exercise price	Number of shares arising out of options	Weighted average exercise price	Weighted average remaining contractual life (number of years)
(Rs. per share)		(Rs. per share)	
<b>60-99</b>	2,556,700	86.96	3.03
<b>100-199</b>	60,755,715	180.24	3.65
<b>200-299</b>	96,037,150	251.67	7.85
<b>300-399</b>	32,275,000	308.26	9.08

The following table sets forth, the summary of stock options outstanding at March 31, 2015.

<b>Range of exercise price</b>	<b>Number of shares arising out of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life (number of years)</b>
<b>(Rs. per share)</b>		<b>(Rs. per share)</b>	
<b>60-99</b>	4,771,000	80.81	2.41
<b>100-199</b>	74,346,685	177.35	4.41
<b>200-299</b>	69,291,015	243.22	8.06
<b>300-399</b>	25,000	321.17	9.59

The options were exercised regularly throughout the period and weighted average share price as per NSE price volume data during the year ended March 31, 2016 was Rs. 273.37 (March 31, 2015: Rs. 311.74).

**ICICI Life:**

ICICI Prudential Life Insurance Company has formulated ESOS for their employees. There is no compensation cost for the year ended March 31, 2016 based on the intrinsic value of options. If the entity had used the fair value approach for accounting of options compensation cost for the year ended March 31, 2016 would have been higher by Nil (March 31, 2015: Rs. 22.2 million).

The following table sets forth, for the periods indicated, a summary of the status of the stock option plan of ICICI Prudential Life Insurance Company.

Rs., except number of options

Particulars	Stock options outstanding Year ended March 31, 2016		Year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	7,057,417	232.45	10,201,948	200.10
Add: Granted during the year	..	..	..	..
Less: Forfeited/lapsed during the year	559,175	329.58	588,000	324.93
Less : Exercised during the year	499,067	108.40	2,556,531	82.10
<b>Outstanding at the end of the year</b>	<b>5,999,175</b>	<b>233.72</b>	<b>7,057,417</b>	<b>232.45</b>
<b>Options exercisable</b>	<b>5,999,175</b>	<b>233.72</b>	<b>7,057,417</b>	<b>232.45</b>

The following table sets forth, summary of stock options outstanding of ICICI Prudential Life Insurance Company at March 31, 2016.

Range of exercise price (Rs. per share)	Number of shares arising out of options (number of shares)	Weighted average exercise price (Rs. per share)	Weighted average remaining contractual life (number of years)
<b>30-99</b>	1,006,225	64.91	2.9
<b>100-299</b>	2,445,850	130.00	4.1
<b>300-400</b>	2,547,100	400.00	2.1

**ICICI General:**

ICICI Lombard General Insurance Company has formulated ESOS for their employees. There is no compensation cost for the year ended March 31, 2016 based on the intrinsic value of options. If the entity had used the fair value approach for accounting of options compensation cost for the year ended March 31, 2016 would have been higher by Nil (March 31, 2015: Rs. 4.5 million).

F-44



The following table sets forth, for the periods indicated, a summary of the status of the stock option plan of ICICI Lombard General Insurance Company.

Rs., except number of options

Particulars	Stock options outstanding Year ended March 31, 2016		Year ended March 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	8,121,462	109.32	9,844,494	105.39
Add: Granted during the year	..	..	..	..
Less: Forfeited/ lapsed during the year	200,200	148.9	254,516	116.10
Less : Exercised during the year	917,014	67.12	1,468,516	81.82
<b>Outstanding at the end of the year</b>	<b>7,004,248</b>	<b>113.71</b>	<b>8,121,462</b>	<b>109.32</b>
<b>Options exercisable</b>	<b>7,004,248</b>	<b>113.71</b>	<b>8,121,462</b>	<b>109.32</b>

The following table sets forth, summary of stock options outstanding of ICICI Lombard General Insurance Company at March 31, 2016.

Range of exercise price (Rs. per share)	Number of shares arising out of options (number of shares)	Weighted average exercise price (Rs. per share)	Weighted average remaining contractual life (number of years)
<b>35-99</b>	3,251,898	57.23	3.50
<b>100-200</b>	3,752,350	162.66	3.03

If the Group had used the fair value of options based on the binomial tree model, the compensation cost for the year ended March 31, 2016 would have been higher by Rs. 3,585.0 million (March 31, 2015: Rs. 2,761.1 million) and the proforma consolidated profit after tax would have been Rs. 98.21 billion (March 31, 2015: Rs. 119.71 billion). On a proforma basis, the Group's basic earnings per share would have been Rs. 16.91 (March 31, 2015: Rs. 20.69) and diluted earnings per share would have been Rs. 16.80 (March 31, 2015: Rs. 20.47).

#### 4. Fixed assets

The following table sets forth, for the periods indicated, the movement in software acquired by the Group, as included in fixed assets.

Rs. in million

<b>Particulars</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
At cost at March 31 of preceding year	15,735.1	13,525.0
Additions during the year	2,507.7	2,439.1
Deductions during the year	(439.6)	(229.0)
Depreciation to date	(13,615.4)	(11,876.8)
<b>Net block</b>	<b>4,187.8</b>	<b>3,858.3</b>

F-45

**5. Assets on lease****Assets taken under operating lease**

The following table sets forth, for the periods indicated, the details of future rentals payable on operating leases.

Rs. in million

<b>Particulars</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
Not later than one year	470.7	561.2
Later than one year and not later than five years	1,195.4	562.9
Later than five years	568.8	103.1
<b>Total</b>	<b>2,234.9</b>	<b>1,227.2</b>

The terms of renewal are those normally prevalent in similar agreements and there are no undue restrictions in the agreements.

**6. Preference shares**

Certain government securities amounting to Rs. 3,189.8 million at March 31, 2016 (March 31, 2015: Rs. 3,088.6 million) have been earmarked against redemption of preference shares issued by the Bank, which fall due for redemption on April 20, 2018, as per the original terms of the issue.

**7. Provisions and contingencies**

The following table sets forth, for the periods indicated, the break-up of provisions and contingencies included in profit and loss account.

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
Provision for depreciation of investments	2,985.1	4,128.9
Provision towards non-performing and other assets	77,188.6	36,307.6
Provision towards income tax		
- Current	67,365.4	56,758.0
- Deferred	(33,590.4)	(2,841.8)
Provision towards wealth tax	0.2	51.1
Collective contingency and related reserve	36,000.0	..
Other provisions and contingencies <sup>1</sup>	6,880.3	4,926.9
<b>Total provisions and contingencies</b>	<b>156,829.2</b>	<b>99,330.7</b>

<sup>1</sup> Includes general provision towards standard assets amounting to Rs. 3,175.6 million (March 31, 2015: Rs. 3,927.6 million).

The Group has assessed its obligations arising in the normal course of business, including pending litigations, proceedings pending with tax authorities and other contracts including derivative and long term contracts. In accordance with the provisions of Accounting Standard - 29 on 'Provisions, Contingent Liabilities and Contingent Assets', the Group recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial results. For insurance contracts booked in its life insurance subsidiary, reliance has been placed on the Appointed Actuary for actuarial valuation of "liabilities for policies in force". The Appointed Actuary has confirmed that the assumptions used in valuation of liabilities for policies in force are in accordance with the guidelines and norms issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDA.

**8. Staff retirement benefits****Pension**

The following tables set forth, for the periods indicated, movement of the present value of the defined benefit obligation, fair value of plan assets and other details for pension benefits.

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, Year ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
Opening obligations	12,999.9	10,209.9
Service cost	251.0	217.8
Interest cost	1,034.7	943.5
Actuarial (gain)/loss	1,594.7	3,174.7
Liabilities extinguished on settlement	(1,554.0)	(1,381.1)
Benefits paid	(134.7)	(164.9)
<b>Obligations at the end of year</b>	<b>14,191.6</b>	<b>12,999.9</b>
Opening plan assets, at fair value	10,103.4	9,018.8
Expected return on plan asset	902.9	743.3
Actuarial gain/(loss)	(4.1)	104.7
Assets distributed on settlement	(1,726.7)	(1,534.6)
Contributions	4,050.8	1,936.1
Benefits paid	(134.7)	(164.9)
<b>Closing plan assets, at fair value</b>	<b>13,191.6</b>	<b>10,103.4</b>
Fair value of plan assets at the end of the year.	13,191.6	10,103.4
Present value of defined benefit obligations at the end of the year	(14,191.6)	(12,999.9)
Amount not recognised as an asset (limit in Para 59(b) of AS 15 on 'employee benefits')	..	..
<b>Asset/(liability)</b>	<b>(1,000.0)</b>	<b>(2,896.5)</b>
<b>Cost for the year</b>		
Service cost	251.0	217.8
Interest cost	1,034.7	943.5
Expected return on plan assets	(902.9)	(743.3)
Actuarial (gain)/loss	1,598.8	3,070.0
Curtailements & settlements (gain)/loss	172.7	153.5
Effect of the limit in para 59(b) of AS 15 on 'employee benefits'	..	..
<b>Net cost</b>	<b>2,154.3</b>	<b>3,641.5</b>
Actual return on plan assets	898.8	848.1
Expected employer's contribution next year	3,000.0	3,000.0
<b>Investment details of plan assets</b>		
Insurer Managed Funds <sup>1</sup>	1.04%	84.51%
Government of India securities	48.64%	7.12%

Edgar Filing: ICICI BANK LTD - Form 20-F

Corporate Bonds	43.23%	8.12%
Equity securities in listed companies	2.48%	..
Others	4.61%	0.25%

**Assumptions**

Interest rate	7.95%	8.00%
Salary escalation rate:		
On Basic Pay	1.50%	1.50%
On Dearness Relief	7.00%	7.00%
Estimated rate of return on plan assets	8.00%	8.00%

1. For the year ended March 31, 2015, majority of the funds were invested in Government of India securities and corporate bonds.

F-47

Estimated rate of return on plan assets is based on our expectation of the average long-term rate of return on investments of the Fund during the estimated term of the obligations.

### Experience adjustment

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
Plan assets	13,191.6	10,103.4	9,018.8	9,526.8	9,379.5
Defined benefit obligations	(14,191.6)	(12,999.9)	(10,209.9)	(10,392.5)	(9,602.7)
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	..	..	..	..	..
Surplus/(deficit)	(1,000.0)	(2,896.5)	(1,191.1)	(865.7)	(223.2)
Experience adjustment on plan assets	(4.1)	104.7	(29.1)	102.3	51.7
Experience adjustment on plan liabilities	1,503.4	1,271.2	2,549.6	1,525.2	2,692.3

F-48

**Gratuity**

The following table sets forth, for the periods indicated, movement of the present value of the defined benefit obligation, fair value of plan assets and other details for gratuity benefits of the Group.

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
Defined benefit obligation liability		
Opening obligations	<b>8,470.2</b>	<b>7,252.6</b>
Add: Adjustment for exchange fluctuation on opening obligation	4.4	3.1
Adjusted opening obligations	<b>8,474.6</b>	<b>7,255.7</b>
Service cost	834.9	716.1
Interest cost	677.5	662.8
Actuarial (gain)/loss	221.0	643.5
Past service cost	..	..
Obligations transferred from/to other companies	8.7	(15.6)
Benefits paid	(826.9)	(792.3)
Obligations at the end of year	<b>9,389.8</b>	<b>8,470.2</b>
Opening plan assets, at fair value	<b>7,862.7</b>	<b>6,744.3</b>
Expected return on plan assets	597.1	518.6
Actuarial gain/(loss)	(398.1)	699.4
Contributions	1,118.1	708.3
Assets transfer from/to other companies	8.7	(15.6)
Benefits paid	(826.9)	(792.3)
Closing plan assets, at fair value	<b>8,361.6</b>	<b>7,862.7</b>
Fair value of plan assets at the end of the year	8,361.6	7,862.7
Present value of the defined benefit obligations at the end of the year	(9,389.8)	(8,470.2)
Unrecognised past service cost	..	..
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	..	..
Asset/(liability)	<b>(1,028.2)</b>	<b>(607.5)</b>
Cost for the year		
Service cost	834.9	716.1
Interest cost	677.5	662.8
Expected return on plan assets	(597.1)	(518.6)
Actuarial (gain)/loss	619.1	(55.9)
Past service cost	..	..
Losses/(gains) on "Acquisition/Divestiture"	..	..
Exchange fluctuation loss/(gain)	4.3	3.1
Effect of the limit in para 59(b) of AS 15 on 'employee benefits'	..	(0.1)
Net cost	<b>1,538.7</b>	<b>807.4</b>
Actual return on plan assets	199.0	1,218.0



Edgar Filing: ICICI BANK LTD - Form 20-F

Expected employer's contribution next year	745.0	755.2
Investment details of plan assets		
Insurer managed funds	23.19%	23.68%
Government of India securities	25.77%	33.67%
Corporate bonds	20.06%	15.35%
Special Deposit schemes	3.48%	3.70%
Equity	11.22%	10.71%
Others	16.28%	12.89%
Assumptions		
Interest rate	7.50%-8.05%	7.80%-8.05%
Salary escalation rate	7.00%-10.00%	5.00%-10.00%
Estimated rate of return on plan assets	7.50%-8.50%	7.50%-8.50%

F-49

Estimated rate of return on plan assets is based on the expectation of the average long-term rate of return on investments of the Fund during the estimated term of the obligations.

### Experience adjustment

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>	<b>Year ended March 31, 2012</b>
Plan assets	8,361.6	7,862.7	6,744.3	6,394.9	5,724.3
Defined benefit obligations	(9,389.8)	(8,470.2)	(7,252.6)	(6,887.3)	(6,257.9)
Amount not recognised as an asset (limit in para 59(b) of AS 15 on 'employee benefits')	..	..	(0.1)	(0.5)	..
Surplus/(deficit)	(1,028.2)	(607.5)	(508.4)	(492.9)	(533.6)
Experience adjustment on plan assets	(398.1)	699.4	(8.4)	51.0	23.1
Experience adjustment on plan liabilities	171.4	70.6	308.7	216.0	119.4

The estimates of future salary increases, considered in actuarial valuation, take into consideration inflation, seniority, promotion and other relevant factors.

**Provident Fund (PF)**

As there is no liability towards interest rate guarantee on exempt provident fund on the basis of actuarial valuation, the Group has not made any provision for the year ended March 31, 2016 (March 31, 2015: Nil).

Rs. in million

<b>Particulars</b>	<b>Year ended March</b>	
	<b>31, 2016</b>	<b>31, 2015</b>
<b>Opening obligations</b>	<b>20,683.7</b>	<b>18,356.2</b>
Service cost	1,044.9	1,046.1
Interest cost	1,614.4	1,615.3
Actuarial (gain) / loss	252.5	325.7
Employees contribution	2,150.8	2,058.2
Obligations transferred from/to other companies	68.1	71.6
Benefits paid	(2,604.9)	(2,789.4)
<b>Obligations at end of the year</b>	<b>23,209.5</b>	<b>20,683.7</b>
<b>Opening plan assets</b>	<b>20,683.7</b>	<b>18,352.7</b>
Expected return on plan assets	1,839.8	1,597.5
Actuarial gain / (loss)	27.1	347.0
Employer contributions	1,044.9	1,046.1
Employees contributions	2,150.8	2,058.2
Assets transfer from/to other companies	68.1	71.6
Benefits paid	(2,604.9)	(2,789.4)
<b>Closing plan assets</b>	<b>23,209.5</b>	<b>20,683.7</b>
Plan assets at the end of the year	23,209.5	20,683.7
Present value of the defined benefit obligations at the end of the year	(23,209.5)	(20,683.7)
<b>Asset/(liability)</b>	<b>..</b>	<b>..</b>
<b>Cost for the year</b>		
Service cost	1,044.9	1,046.1
Interest cost	1,614.4	1,615.3
Expected return on plan assets	(1,839.8)	(1,597.5)
Actuarial (gain)/loss	225.4	(21.3)
<b>Net cost</b>	<b>1,044.9</b>	<b>1,042.6</b>
Actual return on plan assets	1,866.9	1,944.5
Expected employer's contribution next year	1,119.3	1,117.1
<b>Investment details of plan assets</b>		
Government of India securities	42.48%	40.52%
Corporate Bonds	52.49%	53.06%
Special deposit scheme	2.35%	2.59%
Others	2.67%	3.83%
<b>Assumptions</b>		
Discount rate	7.65%-7.95%	7.80%-7.95%
Expected rate of return on assets	8.22%-9.03%	8.12%-9.00%

Edgar Filing: ICICI BANK LTD - Form 20-F

Discount rate for the remaining term to maturity of investments	7.68%-7.95%	7.80%-7.97%
Average historic yield on the investment	8.14%-9.01%	8.19%-9.00%
Guaranteed rate of return	8.75%	8.75%

F-51

**Experience adjustment**

Rs. in million

<b>Particulars</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>	<b>Year ended March 31, 2014</b>	<b>Year ended March 31, 2013</b>
Plan assets	23,209.5	20,683.7	18,352.7	16,136.8
Defined benefit obligations	(23,209.5)	(20,683.7)	(18,356.2)	(16,136.8)
Amount not recognised as an asset (limit in para 59(b)) AS 15 on 'employee benefits')	..	..	..	..
<b>Surplus/(deficit)</b>	<b>..</b>	<b>..</b>	<b>(3.5)</b>	<b>..</b>
Experience adjustment on plan assets	27.1	347.0	(136.3)	17.3
Experience adjustment on plan liabilities	252.5	325.7	(9.9)	24.2

The Group has contributed Rs. 2,167.6 million to provident fund including Government of India managed employees provident fund for the year ended March 31, 2016 (March 31, 2015: Rs. 2,030.3 million), which includes compulsory contribution made towards employee pension scheme under Employees Provident Fund and Miscellaneous Provisions Act, 1952.

**9. Provision for income tax**

The provision for income tax (including deferred tax) for the year ended March 31, 2016 amounted to Rs. 33,775.0 million (March 31, 2015: Rs. 53,916.2 million).

The Group has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. The management is of the opinion that all international transactions are at arm's length so that the above legislation will not have material impact on the financial statements.

**10. Deferred tax**

At March 31, 2016, the Group has recorded net deferred tax asset of Rs. 49,611.9 million (March 31, 2015: Rs. 16,134.8 million), which has been included in "other assets".

The following table sets forth, for the periods indicated, the break-up of deferred tax assets and liabilities into major items.

Rs. in million

<b>Particulars</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
--------------------	--------------------------	--------------------------

**Deferred tax asset**

Provision for bad and doubtful debts	70,339.8	39,199.1
Capital loss	..	50.5
Foreign currency translation reserve <sup>1</sup>	5,877.5	..
Others	6,232.7	4,463.4
<b>Total deferred tax asset</b>	<b>82,450.0</b>	<b>43,713.0</b>

**Deferred tax liability**

Special reserve deduction	26,632.2	22,057.3
Depreciation on fixed assets	5,329.4	5,359.9
Mark-to-market gains <sup>1</sup>	715.4	..
Others	161.1	161.0
<b>Total deferred tax liability</b>	<b>32,838.1</b>	<b>27,578.2</b>
<b>Total net deferred tax asset/(liability)</b>	<b>49,611.9</b>	<b>16,134.8</b>

1. These items are considered in accordance with the requirements of Income Computation and Disclosure Standards.

2. Deferred tax asset/(liability) pertaining to foreign branches/subsidiaries is included in respective categories.

## ***11. Information about business and geographical segments***

### **A. Business segments for the year ended March 31, 2016**

The business segments of the Group have been presented as follows:

**Retail banking** includes exposures of the Bank which satisfy the four criteria of orientation, product, granularity and low value of individual exposures for retail exposures laid down in Basel Committee on Banking Supervision document “International Convergence of Capital Measurement and Capital Standards: A Revised Framework”.

**Wholesale banking** includes all advances to trusts, partnership firms, companies and statutory bodies, by the Bank which are not included under Retail banking.

**Treasury** includes the entire investment and derivative portfolio of the Bank, ICICI Equity Fund (upto September 30, 2015) and ICICI Strategic Investments Fund.

**Other banking** includes leasing operations and other items not attributable to any particular business segment of the Bank. Further, it includes the Bank’s banking subsidiaries i.e. ICICI Bank UK PLC, ICICI Bank Canada and ICICI Bank Eurasia LLC (up to December 31, 2014).

5. **Life insurance** represents results of ICICI Prudential Life Insurance Company Limited.

6. **General insurance** represents results of ICICI Lombard General Insurance Company Limited.

7. **Others** includes ICICI Home Finance Company Limited, ICICI Venture Funds Management Company Limited, ICICI International Limited, ICICI Securities Primary Dealership Limited, ICICI Securities Limited, ICICI Securities Holdings Inc., ICICI Securities Inc., ICICI Prudential Asset Management Company Limited, ICICI Prudential Trust Limited, ICICI Investment Management Company Limited, ICICI Trusteeship Services Limited, ICICI Kinfra Limited (upto September 30, 2014), I-Ven Biotech Limited (upto December 31, 2015) and ICICI Prudential Pension Funds Management Company Limited.

Income, expenses, assets and liabilities are either specifically identified with individual segments or are allocated to segments on a systematic basis.

The liabilities of the Bank are transfer priced to a central treasury unit, which pools all funds and lends to the business units at appropriate rates based on the relevant maturity of assets being funded after adjusting for regulatory reserve requirements.

The transfer pricing mechanism of the Bank is periodically reviewed. The segment results are determined based on the transfer pricing mechanism prevailing for the respective reporting periods.

The results of reported segments for the year ended March 31, 2016 are not comparable with that of reported segments for the year ended March 31, 2015 to the extent new entities have been consolidated and entities that have been discontinued from consolidation.

F-53



The following table sets forth, the business segment results for the year ended March 31, 2016.

Rs. in million

Sr. no.	Particulars	Retail banking	Wholesale banking	Treasury	Other banking business	Life insurance	General insurance	Others	Inter-segment adjustments	Total
1	Revenue	391,878.0	328,923.5	483,414.5	39,343.1	231,798.6	66,995.2	46,484.7	(574,879.1)	1,011,000.0
2	<b>Segment results</b>	<b>38,977.4</b>	<b>(12,454.3)</b>	<b>86,162.7</b>	<b>6,790.0</b>	<b>17,715.8</b>	<b>7,076.9</b>	<b>14,251.9</b>	<b>(15,476.3)</b>	<b>143,913.5</b>
3	Unallocated expenses									..
4	Operating profit (2) – (3)									143,913.5
5	Income tax expenses (net)/(net deferred tax credit)									33,700.0
6	<b>Net profit<sup>1</sup> (4) – (5)</b>									<b>109,213.5</b>
7	<b>Other information</b>									
7	Segment assets	1,724,805.5	2,663,659.1	2,580,816.4	799,535.9	1,046,996.2	153,745.8	279,392.0	(146,320.0)	9,100,000.0
8	Unallocated assets <sup>2</sup>									84,900.0
9	<b>Total assets (7) + (8)</b>									<b>9,184,900.0</b>
10	Segment liabilities	3,133,932.7	1,197,853.2	2,764,452.7 <sup>3</sup>	750,871.6 <sup>3</sup>	1,048,622.5 <sup>3</sup>	156,758.4 <sup>3</sup>	281,390.9 <sup>3</sup>	(146,320.0) <sup>3</sup>	9,184,900.0
11	Unallocated liabilities									..
12	<b>Total liabilities (10) + (11)</b>									<b>9,184,900.0</b>
13	Capital expenditure	6,474.5	937.0	11.2	166.9	539.4	464.5	351.8	..	8,944.3
14	Depreciation	5,718.9	1,016.3	14.9	327.1	455.4	565.4	349.6	(16.5)	8,432.1

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net), deferred tax asset (net).

3. Includes share capital and reserves and surplus.

The following table sets forth, the business segment results for the year ended March 31, 2015.

Rs. in million

Sr. no.	Particulars	Retail banking	Wholesale banking	Treasury	Other banking business	Life insurance	General insurance	Others	Inter-segment adjustments	Total
1	Revenue	329,911.8	335,025.1	439,668.1	38,097.1	191,367.3	58,804.9	44,731.1	(535,443.1)	902,16
2	<b>Segment results</b>	<b>27,242.8</b>	<b>62,240.7</b>	<b>64,687.0</b>	<b>6,672.2</b>	<b>16,343.2</b>	<b>6,907.2</b>	<b>14,634.7</b>	<b>(15,337.5)</b>	<b>183,39</b>
3	Unallocated expenses									..
4	Operating profit (2) – (3)									183,39
5	Income tax expenses (net)/(net deferred tax credit)									53,967
6	<b>Net profit<sup>1</sup> (4) – (5)</b>									<b>129,42</b>
7	<b>Other information</b>									
7	Segment assets	1,297,275.5	2,612,211.8	2,379,582.6	675,480.1	1,011,969.1	133,360.9	253,632.5	(156,450.2)	8,207,
8	Unallocated assets <sup>2</sup>									53,729
9	<b>Total assets (7) + (8)</b>									<b>8,260,</b>
10	Segment liabilities	2,661,620.1	1,038,243.2	2,656,404.7 <sup>3</sup>	655,289.4 <sup>3</sup>	1,013,545.8 <sup>3</sup>	136,564.2 <sup>3</sup>	255,574.5 <sup>3</sup>	(156,450.2) <sup>3</sup>	8,260,
11	Unallocated liabilities									..
12	<b>Total liabilities (10) + (11)</b>									<b>8,260,</b>
13	Capital expenditure	6,109.1	1,110.3	16.4	146.8	2,230.0	2,014.1	356.7	..	11,983
14	Depreciation	5,111.4	1,073.5	12.8	519.5	396.1	536.7	348.6	(16.4)	7,982.2

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net), deferred tax asset (net).

3. Includes share capital and reserves and surplus.

ICICI Bank Limited and subsidiaries

## Schedules forming part of the Consolidated Financial Statements

### B. Geographical segments

The Group has reported its operations under the following geographical segments.

1. **Domestic operations** comprise branches and subsidiaries/joint ventures in India.

2. **Foreign operations** comprise branches and subsidiaries/joint ventures outside India and offshore banking unit in India.

The Group conducts transactions with its customers on a global basis in accordance with their business requirements, which may span across various geographies.

The following tables set forth, for the periods indicated, the geographical segment results.

Rs. in million

<b>Revenue</b>	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
Domestic operations	932,781.3	826,474.0
Foreign operations	81,177.2	75,688.3
<b>Total</b>	<b>1,013,958.5</b>	<b>902,162.3</b>

Rs. in million

<b>Assets</b>	<b>At March 31, 2016</b>	<b>At March 31, 2015</b>
Domestic operations	7,321,480.0	6,504,549.2
Foreign operations	1,781,150.9	1,702,513.1
<b>Total</b>	<b>9,102,630.9</b>	<b>8,207,062.3</b>

Note: Segment assets do not include tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

The following table sets forth, for the periods indicated, capital expenditure and depreciation thereon for the geographical segments.

Rs. in million

	<b>Capital expenditure incurred during the Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>	<b>Depreciation provided during the Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
Domestic operations	8,687.2	11,804.5	8,270.7	7,803.8
Foreign operations	258.1	178.9	160.4	178.4
<b>Total</b>	<b>8,945.3</b>	<b>11,983.4</b>	<b>8,431.1</b>	<b>7,982.2</b>

**12. *Penalties/fines imposed by banking regulatory bodies***

The penalty imposed by RBI and other banking regulatory bodies during the year ended March 31, 2016 was Nil (March 31, 2015: Rs. 10.4 million).

F-56

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****13. Additional information to consolidated accounts**

Additional information to consolidated accounts at March 31, 2016 (Pursuant to Schedule III of the Companies Act, 2013)

**Rs. in million**

Name of the entity	Net assets <sup>1</sup> % of total net assets	Amount	Share in profit or loss	
			% of total net profit	Amount
<b>Parent</b>				
ICICI Bank Limited	95.4%	897,355.9	95.5%	97,262.9
<b>Subsidiaries</b>				
<b>Indian</b>				
ICICI Securities Primary Dealership Limited	0.9%	8,668.6	1.9%	1,954.7
ICICI Securities Limited	0.4%	3,942.3	2.3%	2,357.4
ICICI Home Finance Company Limited	1.6%	15,292.1	1.8%	1,798.5
ICICI Trusteeship Services Limited	0.0%	5.3	0.0%	0.5
ICICI Investment Management Company Limited	0.0%	115.5	(0.0%)	(18.5)
ICICI Venture Funds Management Company Limited	0.2%	1,975.6	(0.2%)	(212.3)
ICICI Prudential Life Insurance Company Limited	5.9%	55,116.6	16.2%	16,504.6
ICICI Lombard General Insurance Company Limited	3.7%	34,846.6	5.0%	5,074.5
ICICI Prudential Trust Limited	0.0%	12.8	0.0%	0.3
ICICI Prudential Asset Management Company Limited	0.7%	6,372.5	3.2%	3,256.9
ICICI Prudential Pension Funds Management Company Limited	0.0%	255.6	(0.0%)	(3.2)
<b>Foreign</b>				
ICICI Bank UK PLC	3.8%	36,143.9	0.0%	35.5
ICICI Bank Canada	4.0%	37,789.8	1.1%	1,120.5
ICICI International Limited	0.0%	93.7	(0.0%)	(4.8)
ICICI Securities Holdings Inc.	0.0%	127.7	(0.5%)	(477.5)
ICICI Securities Inc.	0.0%	128.9	0.0%	28.3
<b>Other consolidated entities</b>				
<b>Indian</b>				
ICICI Strategic Investments Fund	0.1%	482.0	(0.1%)	(108.7)
<b>Foreign</b>				
NIL				

<b>Minority interests</b>	<b>(3.6%)</b>	<b>(33,556.4)</b>	<b>(7.3%)</b>	<b>(7,469.3)</b>
<b>Associates</b>				
<b>Indian</b>				
Fino Pay Tech Limited	..	..	0.0%	13.7
I-Process Services (India) Private Limited	..	..	(0.0%)	(4.4)
NIIT Institute of Finance Banking and Insurance Training Limited	..	..	0.0%	12.2
ICICI Merchant Services Private Limited	..	..	..	..
India Infradebt Limited	..	..	0.1%	90.6
India Advantage Fund III	..	..	0.1%	79.5
India Advantage Fund IV	..	..	(0.0%)	(17.6)
<b>Foreign</b>				
NIL	..	..	..	..
<b>Joint Ventures</b>				
NIL	..	..	..	..
<b>Inter-company adjustments</b>	<b>(13.1%)</b>	<b>(124,061.9)</b>	<b>(19.1%)</b>	<b>(19,474.7)</b>
<b>TOTAL</b>	<b>100.0%</b>	<b>941,107.1</b>	<b>100.0%</b>	<b>101,799.6</b>
1. Total assets minus total liabilities.				

F-57

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

**14. *Sale of equity shareholding in insurance subsidiaries***

Pursuant to approval by the Board of Directors of the Bank on November 16, 2015, the Bank sold equity shares representing 6% shareholding in ICICI Prudential Life Insurance Company Limited and 9% shareholding in ICICI Lombard General Insurance Company Limited during the year ended March 31, 2016 for a total consideration of Rs. 19,500.0 million and Rs. 15,502.5 million respectively.

**15. *Provision on Funded Interest Term Loan***

In 2008, RBI issued guidelines on debt restructuring, which also covered the treatment of funded interest in cases of debt restructuring, that is, instances where interest for a certain period is funded by a Funded Interest Term Loan (FITL) which is then repaid based on a contracted maturity schedule. In line with these guidelines, the Bank had been providing fully for any interest income which is funded through a FITL for cases restructured subsequent to the issuance of the guideline. However, during the year ended March 31, 2015, RBI required similar treatment of outstanding FITL pertaining to cases restructured prior to the 2008 guidelines which were not yet been repaid. In view of the above, and since this item relates to prior years, the Bank with the approval of the RBI debited its reserves by Rs. 9,291.6 million to fully provide outstanding FITLs pertaining to restructurings prior to the issuance of the guideline in the quarter ended March 31, 2015 as against over three quarters permitted by RBI.

F-58

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

**16.**

***Additional disclosure***

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries having no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

**17.**

***Comparative figures***

Figures of the previous year have been re-grouped to conform to the current year presentation.

F-59



ICICI Bank Limited and subsidiaries

## Schedules forming part of the Consolidated Financial Statements

### B. Additional Notes

#### *1. Reserves*

**Balance in profit and loss account:** Represents the balance of profit after appropriations.

**Statutory reserve:** Represents reserve created as a percentage of the net profit before any other appropriation as required by the Banking Regulation Act, 1949. Every banking company in India is currently required to transfer not less than 25% of the net profit (before appropriations) to the “statutory reserve”.

**Capital reserve:** Represents amount of gains on sale of securities classified as held to maturity and gains on sale of land and building, net of tax and transfer to statutory reserves.

**Securities premium:** Represents amount of premium received on issue of share capital, net of expenses incurred on issue of shares.

**Special reserve:** Represents reserve maintained under the Income Tax Act, 1961 to avail tax benefits.

**Foreign currency translation reserve:** Represents exchange differences on translation of financial statements of non-integral foreign operations.

**Revenue and other reserves:** Represents reserves other than capital reserves and those separately classified.

**Unrealized investment reserve:** Represents unrealized gains/losses on investments of consolidated venture capital funds.

**Reserve fund:** Represents appropriation made to reserve fund in accordance with regulations applicable to Sri Lanka branch.

**Investment reserve account:** Represents provision for depreciation on available for sale and held for trading securities in excess of required amount which is credited to profit and loss account and appropriated to this reserve, net of tax and transfer to statutory reserve.

**Revaluation reserve:** Represents reserves on revaluation of premises carried out by the Bank.

## ***2. Deposits***

Deposits include demand deposits, which are non-interest bearing, and savings and time deposits, which are interest bearing.

The following table sets forth the residual contractual maturities of time deposits at March 31, 2016.

### **Rupees in million**

Deposits maturing during the year ending March 31,	
2017	1,972,451.7
2018	277,687.3
2019	109,924.0
2020	47,172.2
2021	33,961.4
Thereafter	21,637.1
Total time deposits	2,462,833.7

At March 31, 2016, the aggregate of time deposits with individual balances greater than Rs. 5.0 million was Rs. 1,354,018.4 million (March 31, 2015: Rs. 1,141,801.8 million).

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****3. Long-term debt**

Long-term debt represents debt with an original contractual maturity of greater than one year. Maturity distribution is based on contractual maturity or the date at which the debt is callable at the option of the holder, whichever is earlier. A portion of the long-term debt bears a fixed rate of interest. Interest rates on floating-rate debt are generally linked to London Inter-Bank Offer Rate ('LIBOR') or similar money market rates. The segregation between fixed-rate and floating-rate obligations is based on the contractual terms.

The following table sets forth a listing of long-term debt at March 31, 2016, by maturity and interest rate profile.

Rupees in million

	Fixed-rate obligations	Floating-rate obligations	Total
Long-term debt maturing during the year ending March 31,			
2017	218,115.3	82,184.0	300,299.3
2018	171,214.8	123,331.0	294,545.8
2019	57,160.4	66,820.9	123,981.3
2020	204,467.2	51,765.9	256,233.1
2021	192,233.2	31,363.8	223,597.0
Thereafter	379,705.6	21,865.4	401,571.0
Total	1,222,896.5	377,331.0	1,600,227.5
Less: Unamortized debt issue costs			(769.7 )
Total			1,599,457.8

Debt aggregating Rs. 5,132.2 million (March 31, 2015: Rs. 13,336.4 million) is guaranteed by the Government of India (GOI). Long-term debt is denominated in various currencies. At March 31, 2016, long-term debt comprises Indian rupee debt of Rs. 545,969.8 million (March 31, 2015: Rs. 510,273.5 million) and foreign currency debt of Rs. 1,053,488.0 million (March 31, 2015: Rs. 906,020.7 million).

**Indian rupee debt**

The following tables set forth, for the periods indicated, a listing of major categories of Indian rupee debt.

**Rupees in million**

Category	At March 31, 2016				Weighted average residual maturity (in years)
	Amount	Weighted average interest rate	Range		
Bonds issued to institutional/individual investors	424,402.3	9.4 %	6.5% to 14.2%		5.4
Refinance from financial institutions	96,030.3	8.1 %	7.9% to 9.0%		1.9
Borrowings from other banks	19,473.5	9.6 %	9.3% to 10.4%		2.1
Fixed deposits	2,563.7	9.0 %	8.0% to 10.0%		1.4
Preference shares	3,500.0	0.001 %	0.001	%	2.1
Total	545,969.8	9.1 %			4.6

F-61

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Rupees in million**

Category	At March 31, 2015			Weighted average residual maturity (in years)
	Amount	Weighted average interest rate	Range	
Bonds issued to institutional/individual investors	443,182.7	9.4 %	5.4% to 14.2%	5.0
Refinance from financial institutions	42,478.4	8.9 %	8.5% to 10.0%	3.5
Borrowings from other banks	18,561.7	10.2 %	10.0% to 12.0%	2.0
Fixed deposits	2,550.7	9.2 %	7.3% to 11.5%	1.1
Preference shares	3,500.0	0.001 %	0.001%	3.1
Total	510,273.5	9.3 %		4.7

**Foreign currency debt**

The following tables set forth, for the periods indicated, a listing of major categories of foreign currency debt.

**Rupees in million**

Category	At March 31, 2016			Weighted average residual
	Amount	Weighted average interest	Range	
				Weighted average residual

		<b>rate</b>			<b>maturity</b>
					<b>(in years)</b>
Bonds	588,163.5	4.6 %	1.0% - 7.3%		3.7
Other borrowings	465,324.5	1.8 %	0.2% to 3.7%		2.3
Total	1,053,488.0	3.3 %			3.1

**Rupees in million**

At March 31, 2015					
<b>Category</b>	<b>Amount</b>	<b>Weighted</b>	<b>Range</b>	<b>Weighted</b>	<b>residual</b>
		<b>average</b>		<b>average</b>	<b>maturity</b>
		<b>interest</b>		<b>residual</b>	<b>(in years)</b>
		<b>rate</b>		<b>maturity</b>	<b>(in years)</b>
Bonds	505,833.5	4.9 %	1.0% to 7.3%	3.2	3.2
Other borrowings	400,187.2	2.0 %	0.2% to 6.8%	3.8	3.8
Total	906,020.7	3.6 %		3.5	3.5

See note on “Schedule 18B- Additional note- Selected information from Indian GAAP financials” for assets pledged as securities for borrowings.

**4. Cash and cash equivalents**

Deposits with the Reserve Bank of India include Rs. 200,606.3 million (March 31, 2015: Rs. 189,751.6 million) maintained in accordance with the guidelines governing minimum cash reserve requirements at March 31, 2016. The balances maintained with the Reserve Bank of India towards cash reserve requirements are subject to withdrawal and usage restrictions.

Deposits with other banks include Rs. 16,920.4 million (March 31, 2015: Rs. 17,986.8 million) towards deposits, which have maturities greater than 90 days.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****5. Investments**

The following table sets forth, for the periods indicated, the portfolio of investments classified as held to maturity.

**Rupees in million**

	At March 31, 2016			At March 31, 2015				
	<b>Amortized cost/cost</b>	Gross unrealized gain	Gross unrealized loss	<b>Fair value</b>	<b>Amortized cost/cost</b>	Gross unrealized gain	Gross unrealized loss	<b>Fair value</b>
Held to maturity								
Corporate debt securities	113,815.6	2,140.0	(102.5 )	115,853.1	102,147.5	5,142.1	(49.4 )	107,240.2
Government securities	1,088,019.9	15,255.3	(3,619.5 )	1,099,655.7	1,039,722.2	20,829.6	(5,836.3 )	1,054,715.5
Other debt securities	19,229.6	16.7	(0.7 )	19,245.6	15,806.9	16.2	(0.0 )	15,823.1
Total debt securities	1,221,065.1	17,412.0	(3,722.7 )	1,234,754.4	1,157,676.6	25,987.9	(5,885.7 )	1,177,778.8
Equity securities	563.8	..	..	563.8	563.8	..	..	563.8
Other securities	4,387.8	988.2	(139.3 )	5,236.7	4,939.0	495.6	(94.5 )	5,340.1
Total	1,226,016.7	18,400.2	(3,862.0 )	1,240,554.9	1,163,179.4	26,483.5	(5,980.2 )	1,183,682.7

The following table sets forth, for the periods indicated, the portfolio of investments classified as available for sale:

**Rupees in million**

Edgar Filing: ICICI BANK LTD - Form 20-F

	At March 31, 2016				At March 31, 2015			
		Gross	Gross	Fair value		Gross	Gross	Fair value
	Amortized cost/cost	unrealized gain	unrealized loss		Amortized cost/cost	unrealized gain	unrealized loss	
Available for sale								
Corporate debt securities	118,778.3	2,200.6	(1,101.7 )	119,877.2	130,904.3	1,882.1	(384.8 )	132,401.6
Government securities	246,801.2	611.3	(23.2 )	247,389.3	207,816.7	790.1	(187.0 )	208,419.8
Other debt securities	110,433.7	1,436.2	(662.0 )	111,207.9	126,775.6	3,765.5	(493.5 )	130,047.6
Total debt securities	476,013.2	4,248.1	(1,786.9 )	478,474.4	465,496.6	6,437.7	(1,065.3 )	470,869.0
Equity securities	63,841.0	21,587.4	(10,860.0)	74,568.4	46,898.3	23,767.2	(8,651.5 )	62,014.0
Other securities	23,673.7	2,690.8	(408.7 )	25,955.8	24,461.6	3,636.8	(5,492.9 )	22,605.5
Total	563,527.9	28,526.3	(13,055.6)	578,998.6	536,856.5	33,841.7	(15,209.7)	555,488.5

**Income from securities available for sale**

The following table sets forth, for the periods indicated, a listing of income from securities classified as available for sale.

**Rupees in million**

	Year ended March 31,		
	2016	2015	2014
Interest	30,766.1	31,219.3	35,837.2
Dividend	1,179.8	1,024.8	1,392.6
Total	31,945.9	32,244.1	37,229.8
Gross realized gain	8,412.9	13,394.5	8,031.0
Gross realized loss	(4,028.0 )	(1,609.1 )	(2,680.2 )
Total	4,384.9	11,785.4	5,350.8



ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Income from securities held for trading**

The following table sets forth, for the periods indicated, a listing of income from securities classified as held for trading.

**Rupees in million**

	Year ended March 31,		
	2016	2015	2014
Interest and dividend	17,756.4	18,268.4	15,849.2
Realized gain/(loss) on sale of trading portfolio	1,412.4	6,931.4	1,804.4
Unrealized gain/(loss) on trading portfolio	394.4	(230.6 )	106.9
Total	19,563.2	24,969.2	17,760.5

**Maturity profile of debt securities**

The following table sets forth, a listing of each category of held to maturity debt securities at March 31, 2016, by maturity.

**Rupees in million**

	Amortized cost	Fair value
Corporate debt securities		
Less than one year	8,879.7	8,929.4
One to five years	36,900.0	37,391.3
Five to ten years	56,787.5	57,671.3
Greater than ten years	11,248.4	11,861.1

Edgar Filing: ICICI BANK LTD - Form 20-F

Total corporate debt securities	113,815.6	115,853.1
Government securities		
Less than one year	42.6	42.9
One to five years	281,596.0	284,629.2
Five to ten years	568,016.9	574,463.3
Greater than ten years	238,364.4	240,520.3
Total government securities	1,088,019.9	1,099,655.7
Other debt securities		
Less than one year	18,302.8	18,318.8
One to five years	926.8	926.8
Five to ten years	..	..
Greater than ten years	..	..
Total other debt securities	19,229.6	19,245.6
Total debt securities classified as held to maturity	1,221,065.1	1,234,754.4

The following table sets forth, a listing of each category of available for sale debt securities at March 31, 2016, by maturity.

**Rupees in million**

	<b>Amortized cost</b>	<b>Fair value</b>
Corporate debt securities		
Less than one year	23,110.4	23,660.8
One to five years	57,973.7	58,551.5
Five to ten years	30,043.3	29,678.2
Greater than ten years	7,650.9	7,986.7
Total corporate debt securities	118,778.3	119,877.2
<b>Government securities</b>		
Less than one year	134,703.0	134,968.6
One to five years	105,645.3	105,937.1
Five to ten years	6,387.9	6,418.0
Greater than ten years	65.0	65.6
Total Government securities	246,801.2	247,389.3
Other debt securities		
Less than one year	66,522.0	67,547.9
One to five years	41,658.3	41,555.0
Five to ten years	735.6	877.3
Greater than ten years	1,517.8	1,227.7

Edgar Filing: ICICI BANK LTD - Form 20-F

Total other debt securities	110,433.7	111,207.9
Total debt securities classified as available for sale	476,013.2	478,474.4

F-64

ICICI Bank Limited and subsidiaries

## Schedules forming part of the Consolidated Financial Statements

### 6. Repurchase transactions

The Group has undertaken repurchase and reverse repurchase transactions of Government securities during the year. These transactions are generally of a very short tenure and are undertaken with the Reserve Bank of India, banks and other financial institutions as counterparties.

At March 31, 2016, outstanding borrowings under repurchase transactions including Liquidity Adjustment Facility offered by Reserve Bank of India amounted to Rs. 156,387.7 million (March 31, 2015: Rs. 251,681.1 million) and the outstanding lending under reverse repurchase transactions including Liquidity Adjustment Facility amounted to Rs. 32,500.0 million (March 31, 2015: Rs. 685.3 million).

During fiscal 2016, average borrowings under repurchase transactions including Liquidity Adjustment Facility amounted to Rs. 177,743.2 million (March 31, 2015: Rs. 158,296.3 million) and average lending under reverse repurchase transactions including Liquidity Adjustment Facility amounted to Rs. 18,446.4 million (March 31, 2015: Rs. 14,483.2 million).

### 7. Loans

The following table sets forth, for the periods indicated, a listing of loans by category.

Rupees in million

	At March 31,	
	2016	2015
Commercial loans	2,944,354.7	2,745,375.7
Term loans	2,110,433.0	2,009,439.3
Working capital facilities <sup>1</sup>	833,921.7	735,936.4
Consumer loans and credit card receivable	2,153,560.9	1,762,154.0
Mortgage loans	1,339,764.0	1,100,254.6
Other secured loans	634,823.0	532,730.1
Credit cards	55,210.2	41,414.6

Edgar Filing: ICICI BANK LTD - Form 20-F

Other unsecured loans	123,763.7	87,754.7
Total gross advances	5,097,915.6	4,507,529.7
Provision for loan losses <sup>2</sup>	(160,624.5 )	(122,628.7 )
Total net advances	<b>4,937,291.1</b>	<b>4,384,901.0</b>

1. Includes bills purchased and discounted, over drafts, cash credit and loans repayable on demand.
2. Excludes provision on performing loans.

F-65

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **Commercial loans**

Commercial loans include term loans and working capital facilities extended to corporate and other business entities.

Each commercial loan undergoes a detailed credit review process in accordance with the Bank's credit policy. After disbursement, commercial loans are individually monitored and reviewed for any possible deterioration of the borrower's ability to repay the loan. Term loans, including corporate finance and project finance loans, are typically secured by a first lien on the borrower's fixed assets, which normally consist of property, plants and equipment. Working capital facilities, which include bills purchased and discounted, over drafts, cash credit and loans repayable on demand, are typically secured by a first lien on the borrower's current assets, which normally consist of inventory and receivables.

The overall economic condition affecting businesses impacts the Bank's commercial loan portfolio. A prolonged slowdown in the Indian economy and significant decline in commodity prices could adversely affect clients' abilities to repay loans. In light of increasing international trade linkages, clients' abilities to repay loans may also be negatively affected by adverse economic developments in the United States and other major economies. Unfavorable exchange rate movements may also increase clients' debt burdens and adversely affect their abilities to repay loans.

Project financing term loans provided to the industrial and manufacturing sectors constitute a significant portion of the Bank's commercial loan portfolio. Each client's ability to repay these loans depends on the viability of the project financed which, in turn, depends on the timeliness of the project's completion, the stability of government policies and changes in market demand.

### **Consumer loans**

The Bank's consumer loan portfolio includes both secured loans and unsecured loans. Secured consumer loans constitute a significant majority of the Bank's total consumer loan portfolio. Though the loans in the Bank's secured loan portfolio are secured by first and exclusive liens on the assets financed, recoveries in case of default may be subject of delays up to several years, due to the protracted legal process in India. The challenge of collection, which is affected by the regulatory guidelines on collection practices, also affects recoveries. To mitigate risk, the Bank obtains direct debit mandates or post-dated checks on pre-specified dates for repayment of consumer installment loans.

*Secured consumer loan portfolio*

The Bank's secured loan portfolio consists of mortgage loans, automobile loans, jewel loans, commercial vehicle loans, farm equipment loans and other secured loans.

The Bank's mortgage loan portfolio includes mortgage loans made to individuals and business entities. Typically, mortgage loans are secured by first and exclusive liens on the financed properties. Borrower default risk is mitigated by rigorous credit review procedures. The Bank's mortgage loan portfolio risk is driven primarily by interest rate movement, the loan-to-value ratios of the loans in the portfolio, the nature of the borrowers' employment (e.g., salaried or self-employed) and the borrowers' income levels.

The Bank's automobile loan and commercial vehicle loan portfolios are also secured by first liens on the assets financed by the loans. Major factors affecting the performance of the automobile loan portfolio include the nature of the borrowers' employment, the borrowers' income levels, the loan-to-value ratios of the loans in the portfolio and the nature of use of the financed vehicles.

The Bank provides jewel loans against gold ornaments and gold coins. Key risks include volatility in gold price and authenticity (purity and weight) of the jewels.

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The Bank's commercial vehicle loan portfolio risk is largely driven by borrowers' characteristics, rate of economic activity and fuel price.

Borrowers' abilities to repay farm equipment loans generally depend on the agriculture in India which, in turn, depends on the timing of monsoons.

#### *Unsecured consumer loan portfolio*

The Bank's unsecured loan portfolio includes personal loans, credit cards and other unsecured loans. General economic conditions and other factors such as changes in unemployment rates, economic growth rates and borrowers' income levels impact this portfolio.

#### **Maturity profile of loans**

The following table sets forth, for the periods indicated, the maturity profile of loans.

#### **Rupees in million**

	At March 31,	
	2016	2015
Less than one year	1,375,911.5	1,149,133.7
One to five years	2,523,147.2	2,458,051.6
Greater than five years	1,038,232.4	777,715.7
Total	4,937,291.1	4,384,901.0



**Interest income on loans**

The Group recognizes interest income in the profit and loss account as it accrues except in the case of non-performing loans where it is recognized upon realization, as per the income recognition and asset classification norms of Reserve Bank of India/National Housing Bank. Interest income in borrower accounts that are upgraded from the non-performing category to the standard category is accrued from the date of such upgrade.

The following table sets forth, for the periods indicated, a listing of interest income on loans.

	<b>Rupees in million</b>		
	Year ended March 31,		
	2016	2015	2014
Commercial loans <sup>1</sup>	221,859.8	217,525.8	203,640.8
Consumer loans and credit card receivables <sup>2</sup>	193,649.2	163,071.3	133,568.0
Lease financing <sup>3</sup>	..	..	..
Total	415,509.0	380,597.1	337,208.8

1. Includes bills purchased and discounted, over drafts, cash credit and loans repayable on demand.

2. Includes mortgage loans, automobile loans, commercial business loans, two wheeler loans, personal loans, credit card receivables and farm equipment loans.

3. Lease financing activity includes leasing and hire purchase.

**Standard restructured loans**

The Group classifies a loan as a restructured loan where it has made concessionary modifications, which include changes in repayment period, principal amount, repayment installment and reduction in rate of interest, that it would not otherwise consider, to the contractual terms of a loan to a borrower experiencing financial difficulties. Loan accounts subjected to restructuring by the Bank are upgraded to the standard category from standard restructured category if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms and the borrower gets reinstated to a normal level of general provisions for standard loans/risk weights for capital adequacy computations. Loans restructured by the Bank after April 1, 2015 (excluding loans given for implementation of projects in the infrastructure sector and non-infrastructure sector and which are delayed up to a specified period) by re-scheduling the principal repayments and/or the interest element are classified as non-performing.



ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

At March 31, 2016, the Group had committed to lend (including non fund-based facilities) Rs. 19,653.0 million (March 31, 2015: Rs. 26,181.1 million) to borrowers who are parties to restructurings.

The following table sets forth, for the dates indicated, a listing of standard restructured loans.

Rupees in million

	At March 31,	
	2016	2015
Commercial loans		
Term loans	76,480.5	109,410.7
Working capital facilities	22,099.3	21,154.9
Consumer loans		
Mortgage loans	60.9	63.9
Other secured loans	33.5	157.3
Credit cards	..	..
Other unsecured loans	..	..
Lease financing	..	..
Restructured loans, gross	98,674.2	130,786.8
Provision for loan losses	(7,581.4 )	(9,458.1 )
Restructured loans, net	91,092.8	121,328.7

Represents entire borrower level outstanding of the restructured accounts.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring under which conversion of debt into equity resulting in acquisition of ownership interests in the borrower by banks is allowed. At year-end fiscal 2016, the Bank had outstanding strategic debt restructuring loans of Rs. 29.33 billion, out of which Rs. 25.56 billion is classified as non-performing loans or restructured loans.

### Non-performing loans

The Bank classifies all credit exposures at a borrower level, including overdues arising from crystallized derivative contracts, into performing and non-performing loans as per Reserve Bank of India guidelines. Advances held at the overseas branches that are identified as impaired as per host country regulations for reasons other than record of recovery, but which are standard as per the extant Reserve Bank of India guidelines, are identified as non-performing to the extent of amount of outstanding in the host country. In the case of Bank's housing finance subsidiary, loans and other credit facilities are classified into performing and non-performing loans as per the National Housing Bank guidelines. Further, non-performing loans are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by Reserve Bank of India/National Housing Bank. Loans in the Bank's overseas banking subsidiaries are classified as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the loans that can be reliably estimated.

F-68

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth a listing of non-performing loans.

Rupees in million

	At March 31,	
	2016	2015
Commercial loans		
Term loans	187,783.3	85,242.7
Working capital loans	73,678.6	61,652.2
Consumer loans		
Mortgage loans	9,504.8	8,553.0
Other secured loans	10,778.2	9,656.7
Credit cards	1,754.2	2,054.8
Other unsecured loans	4,720.2	5,239.9
Lease financing	..	..
Non-performing loans, gross	288,219.3	172,399.3
Provision for loan losses	(143,771.2)	(95,874.4 )
Non-performing loans, net	144,448.1	76,524.9

Identification of loans as non-performing/impaired is in line with guidelines applicable to respective subsidiaries.

#### Provision for loan losses

The Bank and its housing finance subsidiary hold specific provisions against non-performing loans and general provision against performing loans as per the requirements of respective regulators. The assessment of incremental specific provisions is made after taking into consideration the existing specific provision held. The specific provisions on retail loans held by the Bank and its housing finance subsidiary are higher than the minimum regulatory requirements. The Bank's overseas banking subsidiaries maintain provision for loan losses at a level that management considers adequate to absorb identified credit related losses as well as losses that have occurred but are not yet identifiable. The Bank makes provision on assets that are restructured/rescheduled in accordance with the applicable Reserve Bank of India guidelines on restructuring of advances by Banks.

The following table sets forth, for the periods indicated, the movement in the provision for loan losses on standard restructured loans.

Rupees in million

	Year ended March 31,		
	2016	2015	2014
Provision for loan losses at the beginning of the year	9,458.1	11,235.0	5,294.1
Provision for loan losses made during the year	2,754.1	3,989.2	7,171.1
Reduction/write-back of excess provision <sup>1</sup>	(4,630.8)	(5,766.1)	(1,230.2)
Provision for loan losses at the end of the year	7,581.4	9,458.1	11,235.0

<sup>1</sup> Includes provisions on restructured loans which were upgraded to standard assets/downgraded to non-performing assets during the period.

The following table sets forth, for the periods indicated, the movement in the provision for loan losses on non-performing loans.

Rupees in million

	Year ended March 31,		
	2016	2015	2014
<b>Provision for loan losses at the beginning of the year</b>	95,874.4	77,914.7	77,663.9
Provision for loan losses made during the year	86,062.1	42,415.6	28,894.5
Write-off/write-back of excess provision	(38,165.3)	(24,455.9)	(28,643.7)
Provision for loan losses at the end of the year	143,771.2	95,874.4	77,914.7

F-69

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth the movement in the provision for loan losses for the year ended March 31, 2016.

Rupees in million

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Unallocated	Total
A. Non-performing loans					
Aggregate provision for loan losses at the beginning of the year	79,123.4	16,751.0	..	..	95,874.4
Add: Provisions for loan losses	79,964.9	6,097.2	..	..	86,062.1
Less: Utilized for write-off of loans	(26,667.1	) (2,777.6	) ..	..	(29,444.7 )
Less: Write back of excess provisions	(4,701.8	) (4,018.8	) ..	..	(8,720.6 )
A. Aggregate provision for loan losses at the end of the year for non-performing loans	127,719.4	16,051.8	..	..	143,771.2
B. Aggregate provision for loan losses at the end of the year for performing loans including restructured loans	23,844.9	69.9	..	29,178.5	53,093.3
C. Aggregate provision for loan losses at the end of the year (A) + (B)	151,564.3	16,121.7	..	29,178.5	196,864.5
Closing balance: individually evaluated for impairment	151,564.3	16,121.7	..	..	167,686.0
Closing balance: collectively evaluated for impairment	..	..	..	29,178.5	29,178.5
Closing balance: loans acquired with deteriorated credit quality	..	..	..	..	..

The weak global economic environment, the sharp downturn in the commodity cycle and the gradual nature of the domestic economic recovery has adversely impacted the borrowers in certain sectors like iron and steel, mining, power, rigs and cement. While the banks are working towards resolution of stress on certain borrowers in these sectors, it may take some time for solutions to be worked out, given the weak operating and recovery environment. In view of the above, the Bank made a collective contingency and related reserve provision under Indian GAAP during

the year ended March 31, 2016, amounting to Rs. 36,000.0 million towards exposures to these sectors. This is over and above provisions made for non-performing and restructured loans as per the Reserve Bank India guidelines and not included above.

The following table sets forth the movement in the provision for loan losses for the year ended March 31, 2015.

Rupees in million

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Unallocated	Total
A. Non-performing loans					
Aggregate provision for loan losses at the beginning of the year	52,328.0	25,586.7	..	..	77,914.7
Add: Provisions for loan losses	37,835.6	4,580.0	..	..	42,415.6
Less: Utilized for write-off of loans	(9,037.9 )	(8,609.3 )	..	..	(17,647.2 )
Less: Write back of excess provisions	(2,002.3 )	(4,806.4 )	..	..	(6,808.7 )
A. Aggregate provision for loan losses at the end of the year for non-performing loans	79,123.4	16,751.0	..	..	95,874.4
B. Aggregate provision for loan losses at the end of the year for performing loans including restructured loans	26,210.5	89.2	..	25,507.1	51,806.8
C. Aggregate provision for loan losses at the end of the year (A) + (B)	105,333.9	16,840.2	..	25,507.1	147,681.2
Closing balance: individually evaluated for impairment	105,333.9	16,840.2	..	..	122,174.1
Closing balance: collectively evaluated for impairment	..	..	..	25,507.1	25,507.1
Closing balance: loans acquired with deteriorated credit quality	..	..	..	..	..

F-70



ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

While the Group assesses the incremental specific provisions after taking into consideration the existing specific provision held, the amounts recovered against debts written off in earlier years and provisions no longer considered necessary in the context of the current status of the borrower are recognized in the profit and loss account.

### Aging Analysis of Past Due Financing Receivable - Performing Loans

Any amount due under a credit facility is considered as 'past due' if it remains unpaid for more than 30 days from the due date fixed by the bank or its subsidiaries.

The following table sets forth the aging analysis of past due performing loans for the year ended March 31, 2016.

#### Rupees in million

Particulars	Current <sup>1</sup>	31 to 60 days	61 to 90 days	Above 90 days <sup>2</sup>	Total past due <sup>3</sup>
Commercial loans					
Term loans	1,679,320.4	203,464.1	8,083.1	31,782.2	243,329.4
Working capital facilities <sup>4</sup>	712,744.6	32,962.4	6,865.1	7,671.0	47,498.5
Consumer loans					
Mortgage loans	1,322,608.2	4,727.4	2,858.5	65.1	7,651.0
Other secured loans	610,754.9	5,772.0	3,288.2	4,229.6	13,289.8
Credit cards	52,648.1	570.7	237.2	..	807.9
Other unsecured loans	118,350.0	448.3	245.0	0.2	693.5
<b>Lease financing</b>	..	..	..	..	..
<b>Total</b>	<b>4,496,426.2</b>	<b>247,944.9</b>	<b>21,577.1</b>	<b>43,748.1</b>	<b>313,270.1</b>

1. Loans up to 30 days past due are considered current.

2. Bank has invoked strategic debt restructuring in borrowers and acquired an equity interest in the borrower and other loans assessed not impaired as per guidelines applicable to overseas banking subsidiaries.

<sup>3</sup> The amount disclosed represents the outstanding amount of the facility which has overdues, and not the borrower-level outstanding.

4. Includes bills purchased and discounted, over drafts, cash credit and loans repayable on demand.

The following table sets forth the aging analysis of past due performing loans for the year ended March 31, 2015.

Rupees in million

Particulars	Current <sup>1</sup>	31 to 60 days	61 to 90 days	Above 90 days <sup>2</sup>	Total past due <sup>3</sup>
Commercial loans					
Term loans	1,699,018.9	205,571.0	19,274.9	9,009.0	233,854.9
Working capital facilities <sup>4</sup>	643,553.0	29,387.0	1,177.9	2,003.5	32,568.4
Consumer loans					
Mortgage loans	1,085,213.4	3,752.7	2,616.2	72.7	6,441.6
Other secured loans	507,671.2	6,617.9	4,820.9	3,645.8	15,084.6
Credit cards	38,763.1	378.7	218.0	..	596.7
Other unsecured loans	81,763.9	317.7	171.5	..	489.2
<b>Lease financing</b>	..	..	..	..	..
<b>Total</b>	<b>4,055,983.5</b>	<b>246,025.0</b>	<b>28,279.4</b>	<b>14,731.0</b>	<b>289,035.4</b>

1. Loans up to 30 days past due are considered current.

<sup>2</sup> Includes loans guaranteed by government, crop related agriculture loans overdue less than 360 days and other loans assessed as not impaired as per guidelines applicable to overseas banking subsidiaries.

<sup>3</sup> The amount disclosed represents the outstanding amount of the facility which has overdues, and not the borrower-level outstanding.

4. Includes bills purchased and discounted, over drafts, cash credit and loans repayable on demand.

F-71

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, the recorded investment in non-performing loans for the year ended March 31, 2016.

**Rupees in million**

	<b>Total recorded investment in non-performing loans (net of provision)</b>	<b>Total recorded investment in respect of which non-performing loans provision calculated (net of provision)</b>	<b>Total recorded investment in respect of which non-performing loans provision not calculated</b>	<b>Unpaid principal amount</b>
Commercial loans				
Term loans	99,792.8	99,792.8	..	187,783.3
Working capital facilities	33,949.7	33,949.7	..	73,678.6
Consumer loans				
Mortgage loans	5,240.0	5,240.0	..	9,504.8
Other secured loans	4,625.2	4,625.2	..	10,778.2
Credit cards	296.1	296.1	..	1,754.2
Other unsecured loans	544.3	544.3	..	4,720.2
<b>Lease financing</b>	..	..	..	..
<b>Total</b>	<b>144,448.1</b>	<b>144,448.1</b>	<b>..</b>	<b>288,219.3</b>

The following table sets forth, the recorded investment in non-performing loans for the year ended March 31, 2015.

**Rupees in million**

	<b>Total recorded investment in non-performing loans (net of provision)</b>	<b>Total recorded investment in respect of which non-performing loans provision calculated (net of provision)</b>	<b>Total recorded investment in respect of which non-performing loans provision not calculated</b>	<b>Unpaid principal amount</b>
Commercial loans				
Term loans	45,314.6	45,314.6	..	85,242.7
Working capital facilities	22,456.9	22,456.9	..	61,652.2
Consumer loans				
Mortgage loans	4,499.5	4,499.5	..	8,553.0
Other secured loans	3,650.3	3,650.3	..	9,656.7
Credit cards	186.2	186.2	..	2,054.8
Other unsecured loans	417.4	417.4	..	5,239.9
<b>Lease financing</b>	..	..	..	..
<b>Total</b>	<b>76,524.9</b>	<b>76,524.9</b>	<b>..</b>	<b>172,399.3</b>

ICICI Bank Limited and subsidiaries

## Schedules forming part of the Consolidated Financial Statements

### *Credit quality indicators of loans*

The Group has a comprehensive framework for monitoring credit quality of its corporate and retail loans based on internal ratings. For the majority of the portfolio, the credit rating of every borrower/portfolio is reviewed at least annually. For the purpose of disclosure, the Group has used internal ratings as credit quality indicator.

The following table sets forth, a description of internal rating grades linked to the likelihood of loss associated with each rating grade:

<b>Grade</b>	<b>Definition</b>
(I) Investment grade	Entities/obligations are judged to offer moderate to high protection with regard to timely payment of financial obligations.
AAA, AA+, AA, AA-, 1, 2A-C	Entities/obligations are judged to offer high protection with regard to timely payment of financial obligations.
A+, A, A-, 3A-C	Entities/obligations are judged to offer an adequate degree of protection with regard to timely payment of financial obligations.
BBB+, BBB and BBB-, 4A-C	Entities/obligations are judged to offer moderate protection with regard to timely payment of financial obligations.
(II) Below investment grade (BB and B, D, 5, 6, 7, 8)	Entities/obligations are judged to carry inadequate protection with regard to timely payment of financial obligations.

The following table sets forth, for the period indicated, credit quality indicators of net loans.

Rupees in million

	<b>Year ended</b>	<b>Year ended</b>
	<b>March 31, 2016</b>	<b>March 31, 2015</b>
Rating grades		
Investment grade	3,989,676.0	3,772,248.2
AAA, AA+, AA, AA-, 1, 2A-C	1,592,527.2	1,334,778.0
A+, A, A-, 3 A-C	1,030,776.2	890,039.7

BBB+, BBB and BBB-, 4A-C	1,366,372.6	1,547,430.5
Below investment grade <sup>1</sup>	917,230.2	535,507.0
Unrated	30,384.9	77,145.8
Net loans	<b>4,937,291.1</b>	<b>4,384,901.0</b>

1. Includes non-performing and restructured loans.

Fiscal 2016 witnessed a slowdown in global economic growth mainly on account of lower growth in China and emerging market economies, divergence in global monetary policy and significant decline in commodity prices including crude oil and metals. The weak global economic environment, the sharp downturn in the commodity cycle, continued challenges in the corporate sector due to the gradual nature of domestic economic recovery as against the expectation of the significant improvement in the corporate investment and performance has adversely impacted the borrowers in certain sectors such as iron and steel, mining, power and cement, resulting in credit rating downgrades in these sectors and promoter entities where the underlying is partly linked to these sectors.

#### ***8. Financial assets transferred during the year to securitization company (SC)/reconstruction company (RC)***

The Bank has transferred certain assets to securitization company (SC)/Asset Reconstruction Companies (ARCs) in compliance with the terms of the guidelines issued by the Reserve Bank of India governing such transfer. The Bank transfers its non-performing assets to asset reconstruction companies primarily in exchange for the receipt of securities in the form of pass-through instruments issued by such ARCs, wherein payments to holders of securities are based on the actual realized cash flows from the transferred assets. In accordance with the Reserve Bank of India guidelines prior to February 26, 2014, the excess provision, if any, was not reversed but was utilized to meet shortfall/loss on account of sale of other financial assets. With effect from February 26, 2014, the Reserve Bank of India allowed banks to reverse the excess provision to profit and loss account, in the year in which amounts are received for loans transferred. Further, on March 11, 2015, the Reserve Bank of India allowed banks to reverse the excess provision, on account of sale of loans prior to February 26, 2014, to profit and loss account. For the purpose of the valuation of underlying security receipts issued by underlying trusts managed by ARCs, the security receipts are valued at their respective net asset values as advised by the ARCs.

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth, for the periods indicated, the details of the assets transferred.

#### Rupees in million, except number of accounts

	Year ended March 31,		
	2016	2015	2014
Number of accounts <sup>1</sup>	7	14	2
Aggregate value (net of provisions) of accounts sold to SC/RC	6,721.0	3,285.8	1,508.6
Aggregate consideration	7,305.8	2,480.0	1,776.0
Additional consideration realized in respect of accounts transferred in earlier years <sup>2</sup>	..	..	..
Aggregate gain/(loss) over net book value	584.8	(805.8 )	267.4

1. Excludes accounts previously written-off.

<sup>2</sup> During the year ended March 31, 2016, ARCs have fully redeemed one security receipt. Net loss during the year ended March 31, 2016 amounted to Rs. 470.2 million (March 31, 2015: Net loss of Rs. 81.3 million).

The Bank sold seven corporate loans in fiscal 2016, 14 corporate loans in fiscal 2015 and two corporate loans in fiscal 2014.

#### **9. Details of non-performing assets sold, excluding those sold to SC/RC**

The Bank has sold certain non-performing assets in compliance with the terms of the guidelines issued by Reserve Bank of India on such sale.

The following table sets forth, for the periods indicated, the details of non-performing assets sold to banking or financial companies, excluding those sold to SC/RC.

**Rupees in million, except number of accounts**

	Year ended March		
	2016	2015	2014
No. of accounts	3	..	1
Aggregate value (net of provisions) of accounts sold, excluding those sold to SC/RC	12.8	..	..
Aggregate consideration	174.4	..	199.0
Aggregate gain/(loss) over net book value	161.6	..	199.0

Additionally, the Bank has sold a loan to a corporate for a consideration of Rs. 290.0 million on which the Bank recognised a gain of Rs. 290.0 million in fiscal 2016 (March 31, 2015: consideration of Rs. 606.3 million and a gain of Rs. 411.5 million).

***10. Concentration of credit risk***

Concentration of credit risk exists when changes in economic, industry or geographic factors affect groups of counter-parties whose aggregate credit exposure is material in relation to Group's total credit exposure. The Group's portfolio of financial instruments is broadly diversified along industry, product and geographic lines primarily within India.

The Group is subject to supervision guidelines issued by the Reserve Bank of India. The Group's 20 largest exposures (non-bank) based on gross exposure (credit, derivative and investments), totaled Rs. 1,267,366.3 million at March 31, 2016 which represents 122.7% of the capital funds (March 31, 2015: Rs. 1,294,134.8 million which represents 129.4% of the capital funds). The single largest exposure (non-bank) at March 31, 2016 was Rs. 135,405.0 million which represents 13.1% of the capital funds (March 31, 2015: Rs. 127,220.6 million which represents 12.7% of the capital funds).



ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

The largest group of companies under the same management control accounted for 28.4% of the capital funds at March 31, 2016 (March 31, 2015: 32.8% of the capital funds).

### ***11. Loan commitments***

The Group has outstanding undrawn commitments to provide loans and financing to customers. These loan commitments aggregated to Rs. 1,498,947.6 million (including non fund-based facilities) at March 31, 2016 (March 31, 2015: Rs. 1,240,752.3 million). The interest rate on a significant portion of these commitments is dependent on the lending rates prevailing on the date of the loan disbursement. Further, the commitments have fixed expiration dates and are contingent upon the borrower's ability to maintain specific credit standards.

### ***12. Capital commitments***

The Group is obligated under a number of capital contracts. Capital contracts are job orders of a capital nature, which have been committed. The amounts of contracts remaining to be executed on capital account aggregated to Rs. 6,055.4 million at March 31, 2016 (March 31, 2015: Rs. 5,789.1 million).

### ***13. Derivatives***

ICICI Bank is a major participant in the financial derivatives market in India. The Bank deals in derivatives for balance sheet management, proprietary trading and market making purposes whereby the Bank offers derivative products to its customers, enabling them to hedge their risks.

Dealing in derivatives is carried out by identified groups in the treasury of the Bank based on the purpose of the transaction. Derivative transactions are entered into by the treasury front office. Treasury control and service group conducts an independent check of the transactions entered into by the front office and also undertakes activities such as confirmation, settlement, accounting, risk monitoring and reporting and ensures compliance with various internal and regulatory guidelines.

The market making and the proprietary trading activities in derivatives are governed by the Investment Policy and the Derivative Policy of the Bank, which lay down the position limits, stop loss limits as well as other risk limits. The Risk Management Group lays down the methodology for computation and monitoring of risk. The Risk Committee of the Board reviews the Bank's risk management policies in relation to various risks including Credit and Recovery Policy, Investment Policy, Derivative Policy, Asset Liability Management Policy and Operational Risk Management Policy. The Risk Committee of the Board comprises non-executive directors and the Managing Director and CEO.

The Bank measures and monitors risk of its derivatives portfolio using such risk metrics as Value at Risk, stop loss limits and relevant risk measures for options. Risk reporting on derivatives forms an integral part of the management information system.

The use of derivatives for hedging purposes under Indian GAAP is governed by the hedge policy approved by Asset Liability Management Committee. Subject to prevailing Reserve Bank of India guidelines, the Bank deals in derivatives for hedging fixed rate, floating rate or foreign currency assets/liabilities. Transactions for hedging and market making purposes are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the hedge itself. The effectiveness is assessed at the time of inception of the hedge and periodically thereafter.

Hedge derivative transactions are accounted for pursuant to the principles of hedge accounting based on guidelines issued by Reserve Bank of India. Derivatives for market making purpose are marked to market and the resulting gain/loss is recorded in the profit and loss account. The premium on option contracts is accounted for as per Foreign Exchange Dealers Association of India guidelines.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

Credit exposure on interest rate and currency derivative transactions (both trading and hedging), other than contracts with an original maturity of less than or equal to 14 days, is computed using the Current Exposure Method according to Reserve Bank of India guidelines, which is arrived at by adding up the positive mark-to-market values and the potential future exposure of these contracts. According to the Reserve Bank of India guidelines, the potential future exposure is determined by multiplying the notional principal amount of each of these contracts (irrespective of whether the mark-to-market value of these contracts is zero, positive or negative value) by the relevant add-on factor, ranging from 0.5% to 15%, according to the type of contract and residual maturity of the instrument. The credit exposure for a single currency floating/floating interest rate swaps and options sold is calculated based on a positive mark-to-market value of these instruments. Credit exposure on unfunded credit derivatives has been computed in accordance with Reserve Bank of India guidelines. Credit exposure on issuer on account of unfunded credit derivatives is computed according to the current exposure method under Basel III framework. In the case of sell protection trades the entire unpaid premia is treated as an exposure to the protection buyer and in case of buy protection trades exposure is reckoned as the sum of the current mark-to-market value, if positive (zero, if mark-to-market value is negative) and the potential future exposure. The potential future exposure is determined by multiplying the notional principal amount of each of these contracts (irrespective of whether the mark-to-market value of these contracts is zero, positive or negative value) by the relevant add-on factor, ranging from 10% to 20%, according to the rating of reference obligation. In case of collateralized buy protection trades, no exposure is reckoned to the extent of collateral available. In case of two completely identical opposite positions in unfunded credit derivatives forming a hedged position no exposure is reckoned against the reference entity. The credit exposure for equity futures and options is computed based on the market value and open quantity of the contracts at the balance sheet date.

Over the counter derivative transactions are covered under International Swaps and Derivatives Association master agreements with the respective counter parties.

The following table sets forth the details of the notional amounts, fair value, realized/unrealized gain and loss on derivatives and credit exposure of trading derivatives for the year ended March 31, 2016.

**Rupees in million**

<b>Particulars</b>	<b>Notional amount</b>	<b>Gross positive fair value</b>	<b>Gross negative fair value</b>	<b>Gain/(loss) on derivatives<sup>3</sup></b>	<b>Credit exposure</b>
Interest rate derivatives <sup>1</sup>	4,279,369.0	20,856.6	(19,010.8 )	872.4	55,420.3

Currency derivatives (including foreign exchange derivatives) <sup>2</sup>	4,621,239.0	59,313.7	(55,359.0	) (869.3	) 203,482.4
Equity derivatives	555.4	0.9	(0.7	) 79.3	381.2
Un-funded credit derivatives	..	..	..	17.1	..

1. Foreign currency interest rate swaps, forward rate agreements and swap options are included in interest rate derivatives.

2. Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

3. The Bank has additionally recorded a loss of Rs. 472.8 million due to credit losses.

The following table sets forth the details of the notional amounts, fair value, realized/unrealized gain and loss on derivatives and credit exposure of trading derivatives for the year ended March 31, 2015.

#### Rupees in million

Particulars	Notional amount	Gross positive fair value	Gross negative fair value	Gain/(loss) on derivatives <sup>3</sup>	Credit exposure
Interest rate derivatives <sup>1</sup>	3,971,665.8	20,747.3	(21,326.5	) 2,999.6	53,186.0
Currency derivatives (including foreign exchange derivatives) <sup>2</sup>	4,008,475.9	67,457.2	(76,621.1	) (4,822.1	) 194,442.1
Equity derivatives	247.6	2.1	(3.3	) (354.1	) 254.6
Un-funded credit derivatives	..	..	..	16.9	..

1. Foreign currency interest rate swaps, forward rate agreements and swap options are included in interest rate derivatives.

2. Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

3. The Bank has additionally recorded a gain of Rs. 404.1 million mainly due to recoveries of credit losses booked in earlier years.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth the details of the notional amounts, marked to market position and credit exposure of hedging derivatives for the year ended March 31, 2016.

**Rupees in million**

Particulars	<b>Notional amount</b>	<b>Gross positive fair value</b>	<b>Gross negative fair value</b>	<b>Credit exposure</b>
Interest rate derivatives <sup>1</sup>	600,403.7	17,643.6	(649.4	) 23,982.2
Currency derivatives (including foreign exchange derivatives) <sup>2</sup>	30,093.6	45.4	(1,883.7	) 1,420.1

1. Foreign currency interest rate swaps, forward rate agreements and swap options are included in interest rate derivatives.

2. Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

The following table sets forth the details of the notional amounts, marked to market position and credit exposure of hedging derivatives for the year ended March 31, 2015.

**Rupees in million**

Particulars	<b>Notional amount</b>	<b>Gross positive fair value</b>	<b>Gross negative fair value</b>	<b>Credit exposure</b>
Interest rate derivatives <sup>1</sup>	506,832.4	17,400.0	(702.8	) 23,724.6
Currency derivatives (including foreign exchange derivatives) <sup>2</sup>	50,745.8	97.0	(2,595.0	) 2,916.5

1. Foreign currency interest rate swaps, forward rate agreements and swap options are included in interest rate derivatives.

2.

Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

The gains/(losses) on hedged items arising from changes in fair value for the year ended March 31, 2016 and March 31, 2015 amounted to Rs. (2,048.6) million and Rs. 1,855.4 million respectively and gains/(losses) on corresponding hedging instruments arising from changes in fair value during the year ended March 31, 2016 and March 31, 2015 amounted to Rs. 1,284.3 million and Rs. (1,141.8) million respectively.

The Group has also hedged the foreign currency exposure of its net investment in foreign operations through currency forward contracts of a notional amount of Rs. 50,482.9 million at March 31, 2016. The gross positive and negative fair values of these hedging instruments were Rs. 639.7 million and Rs. (927.8) million respectively and the credit exposure was Rs. 1,629.3 million at March 31, 2016.

The Bank offers deposit products to customers of its offshore branches with structured returns linked to interest, currency, credit or equity benchmarks. The Bank covers these exposures in the inter-bank market. At March 31, 2016, the net open position on this portfolio was Nil (March 31, 2015: Nil) with mark-to-market gain of Rs. 0.1 million (March 31, 2015: Rs. 1.4 million) at that date, which had been accounted through profit and loss account. The fair value amount of such structured returns linked derivatives that were in net liability position at March 31, 2016 was Rs. 29.7 million (March 31, 2015: Rs. 102.3 million). With reference to such instruments, the Bank does not place any collateral with the counterparties. The aggregate amount needed to settle such instruments immediately if the credit risk related contingent features were triggered at March 31, 2016 would be Rs. 708.9 million (March 31, 2015: Rs. 1,400.0 million).

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****14.*****Tax contingencies***

Various tax-related legal proceedings are pending against the Group at various levels of appeal either with the tax authorities or in the courts. Where after considering all available information in the opinion of management a liability requires accrual, the Group accrues such liability.

Where such proceedings are sufficiently advanced to enable management to assess that a liability exists and are subject to reasonable estimation, management records its best estimate of such liability. Where a reasonable range of potential outcomes is estimated, management records its best estimate, or in the absence of a basis for selecting a specific estimate within a range, management records a liability no less than the lower end of the estimated range. The contested tax demands are adjusted by the tax authorities against refunds due to the Group on favorable resolution of earlier year's appeals/completion of assessments or paid or kept in abeyance in accordance with the terms of the stay order. The payment/adjustment/stay does not prejudice the outcome of the appeals filed by the Group. The advance tax payments are recorded as advance tax payments under other assets.

At March 31, 2016, the Group has assessed its contingent tax liability at an aggregate of Rs. 39,868.9 million (March 31, 2015: Rs. 44,897.0 million), mainly pertaining to income tax, service tax and sales tax/ value added tax demands by the Government of India's tax authorities for past years. The Group has appealed each of these tax demands. Based on consultation with counsel and favorable decisions in the Group's own or other similar cases as set out below, the Group's management believes that the tax authorities are not likely to be able to substantiate their tax assessments and accordingly has not provided for these tax demands at March 31, 2016. Disputed tax issues that are classified as remote are not disclosed as contingent liabilities by the Group.

In the Group's assessment of sales tax/value added tax aggregating to Rs. 4,260.9 million (March 31, 2015: Rs. 3,949.8 million), the Group has appealed the tax demands and expects a favorable outcome based on opinions from counsels and decisions in own/other cases. Of the total demand, Rs. 2,262.3 million pertains to value added tax on disposal of repossessed assets whereby the Bank has relied on opinion from counsel confirming that the Bank only facilitates the disposal of repossessed assets for recovery of its loan from the borrower and cannot be regarded as a seller of repossessed assets. The other disputed issues mainly pertain to tax on inter-state/import leases by various state government authorities in respect of lease transactions entered into by the Bank and bullion related matters pertaining to procedural issues like submission of statutory forms.

In the Group's assessment of service tax aggregating to Rs. 5,573.0 million (March 31, 2015: Rs. 3,884.3 million), the disputed issues mainly pertain to the demands along with interest and penalty levied by the service tax authorities. Of the total demand, Rs. 1,537.0 million pertains to life insurance company for levy of service tax on receipt of surrender/foreclosure charges under unit linked insurance plans or life insurance plans, Rs. 971.3 million pertains to venture capital funds mainly in respect of retention of contribution received by the Fund, treated as fees received in lieu of management services rendered by them whereby Group is relying on favorable opinion in both cases from counsel, Rs. 2,602.3 million pertains to the Bank mainly relating to interest charged on liquidity facilities provided to the trusts on securitized loan portfolio, inter-change fee received by the Bank as an issuing bank on card transactions and disallowance of credit availed for service tax on deposit insurance premium alongwith penalty thereon and Rs. 226.0 million pertains to venture funds management company limited for levy of service tax on the income received from investment in venture capital units, by treating the same as performance fees received. The balance amount of Rs. 236.4 million pertains to other Group entities. The Group believes that the tax authorities are not likely to be able to substantiate the above tax demands.

The Group's assessments of income tax and interest tax aggregating to Rs. 30,035.0 million includes appeals filed by the Group or the tax authorities where the Group is relying on favorable precedent decisions of the appellate court and expert opinions. The key disputed liabilities are detailed below:



ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

**Disallowance of expenses to earn tax free income: Rs. 13,076.8 million (March 31, 2015: Rs. 14,393.9 million)** mainly relates to whether interest expenses can be attributed to earning tax-exempt income. The Group believes that no interest can be allocated thereto as there are no borrowings earmarked for investments in shares/tax free bonds and the interest free funds are sufficient to cover investments in the underlying tax free securities. The Group relies on the favorable opinion from counsel and favorable appellate decisions in Group's own cases and similar other cases.

**Marked-to-market losses on derivatives: Rs. 2,019.0 million (March 31, 2015: Rs. 5,849.6 million)** relates to the disallowance of marked-to-market losses on derivative transactions treated by the tax authorities as notional losses. The Group relies on the favorable opinion from counsel and favorable appellate decisions in Group's own cases and similar other cases, which had allowed the deduction of marked-to-market losses from business income.

**Depreciation on leased assets: Rs. 5,534.0 million (March 31, 2015: Rs. 5,434.3 million)** relates to the disallowance of depreciation claims on leased assets by the tax authorities, by treating the lease transactions as loan transactions. The Group relies on favorable opinion from counsel and favorable appellate decisions in Group's own case and other similar cases.

**Taxability under section 41(4A) of amounts withdrawn from Special Reserve created up to Assessment Year 1997-98: Rs. 2,686.6 million (March 31, 2015: Rs. 2,690.2 million)** relates to two special reserve accounts maintained by the Group, which includes special reserve created up to assessment year 1997-98. Withdrawals from the account was assessed as taxable by the tax authorities for assessment years 1998-99 to 2000-01. The Group has received favorable orders in respect of the assessment year 1998-99 and 1999-00 but the income tax department has appealed against the favorable orders.

**Broken period interest: Rs.1,207.5 million (March 31, 2015: Rs. 733.5 million)** relates to the disallowance of broken period interest paid on purchase of government securities considering it as capital in nature since the government securities have been classified under held to maturity category by the Bank. The Bank has relied on favorable appellate decisions in its own case and other similar cases.

Based on judicial precedents in the Group's and other cases and upon consultation with tax counsels the management believes that it is more likely than not that the Group's tax positions will be sustained. Accordingly, no provision has been made in the accounts.

The above mentioned contingent liability does not include Rs. 39,714.0 million (March 31, 2015: Rs. 56,151.0 million) considered as remote. Of the total disputed tax demands classified as remote, Rs. 34,782.1 million pertains to the deduction of bad debts and levy of penalties, which are covered by favorable Apex Court decisions in other cases. Therefore it has not been disclosed as a contingent liability. The balance of Rs. 4,931.9 million pertains to disputed tax liability of life insurance company primarily due to non-allowance of set-off of brought forward business loss by the assessing officer against the shareholders income, which has been considered as income from other sources by the tax authorities. This has been classified as remote on the basis of favorable income tax appellate decisions in its own case. The consequence of inquiries initiated by the tax authorities are not quantified, as the Group believes that such proceedings are likely to be dropped by the tax authorities or will not be upheld by judicial authorities.

### ***15. Litigation***

A number of litigation and claims against the Group and its directors are pending in various forums. The claims on the Group mainly arise in connection with civil cases involving allegations of service deficiencies, property or labor disputes, fraudulent transactions, economic offences and other cases filed in the normal course of business. The Group is also subject to counter-claims arising in connection with its enforcement of contracts and loans. A provision is created where an unfavorable outcome is deemed probable and in respect of which a reliable estimate can be made. In view of inherent unpredictability of litigation and cases where claims sought are substantial in value, actual cost of resolving litigations may be substantially different than the provision held. For cases where unfavorable outcome is deemed to be

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

reasonably possible, it is not possible to make an estimate of the possible loss or range of possible losses due to the nature of the cases as explained above. The total amount of claims against the Group where an unfavorable outcome is deemed probable was Rs. 6,074.8 million and where unfavorable outcome is reasonably possible was Rs. 1,270.9 million at March 31, 2016. Based upon a review of open matters with its legal counsels including loss contingency on account of such litigation and claims, and classification of such contingency as 'probable', 'possible' or 'remote' and with due provisioning for the relevant litigation and claims, the management believes that the outcome of such matters will not have a material adverse effect on the Group's consolidated financial position, results of operations or cash flows.

F-80

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****16. Segmental Information**

The following table sets forth, the business segment results for the year ended March 31, 2016 prepared on the basis described in Schedule 18 note 11A.

**Rupees in million**

Sr. No.	Particulars	Retail Banking	Wholesale Banking	Treasury	Other banking business	Life insurance	General insurance	Others	In se ac
1	Revenue	391,878.0	328,923.5	483,414.5	39,343.1	231,798.6	66,995.2	46,484.7	(5)
	External revenue	198,462.8	259,265.8	181,604.8	32,785.6	231,566.6	65,507.6	44,765.3	..
	Revenue from transfer pricing on external liabilities and other internal revenue	193,415.2	69,657.7	301,809.7	6,557.5	232.0	1,487.6	1,719.4	(5)
2	Segment results	38,977.4	(12,454.3 )	86,162.7	6,790.0	17,715.8	7,076.9	14,251.9	(1)
3	Unallocated expenses								
4	Operating profit (2) – (3)								
5	Income tax expenses (net)/(net deferred tax credit)								
6	Net profit <sup>1</sup> (4) - (5). Other information								
7	Segment assets	1,724,805.5	2,663,659.1	2,580,816.4	799,535.9	1,046,996.2	153,745.8	279,392.0	(1)

8	Unallocated assets <sup>2</sup>								
9	Total assets (7) + (8)								
10	Segment liabilities	3,133,932.7	1,197,853.2	2,764,452.7 <sup>3</sup>	750,871.6 <sup>3</sup>	1,048,622.5 <sup>3</sup>	156,758.4 <sup>3</sup>	281,390.9 <sup>3</sup>	(1
11	Unallocated liabilities								
12	Total liabilities (10) + (11)								
13	Capital expenditure	6,474.5	937.0	11.2	166.9	539.4	464.5	351.8	..
14	Depreciation & amortization	5,718.9	1,016.3	14.9	327.1	455.4	565.4	349.6	(1

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

3. Includes share capital and reserves and surplus.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, the business segment results for the year ended March 31, 2015 prepared on the basis described in Schedule 18 note 11A.

**Rupees in million**

Sr. No.	Particulars	Retail Banking	Wholesale Banking	Treasury	Other banking business	Life insurance	General insurance	Others	Inter segment adjus
1	Revenue	329,911.8	335,025.1	439,668.1	38,097.1	191,367.3	58,804.9	44,731.1	(535,
	External revenue	156,049.4	265,805.8	153,932.9	35,009.7	191,120.8	57,408.1	42,835.6	..
	Revenue from transfer pricing on external liabilities and other internal revenue	173,862.4	69,219.3	285,735.2	3,087.4	246.5	1,396.8	1,895.5	(535,
2	Segment results	27,242.8	62,240.7	64,687.0	6,672.2	16,343.2	6,907.2	14,634.7	(15,3
3	Unallocated expenses								
4	Operating profit (2) – (3)								
5	Income tax expenses (net)/(net deferred tax credit)								
6	Net profit <sup>1</sup> (4) – (5)								
7	Other information Segment assets	1,297,275.5	2,612,211.8	2,379,582.6	675,480.1	1,011,969.1	133,360.9	253,632.5	(156,
8	Unallocated assets <sup>2</sup>								
9									

	Total assets (7) + (8)								
10	Segment liabilities	2,661,620.1	1,038,243.2	2,656,404.7 <sup>3</sup>	655,289.4 <sup>3</sup>	1,013,545.8 <sup>3</sup>	136,564.2 <sup>3</sup>	255,574.5 <sup>3</sup>	(156,
11	Unallocated liabilities								
12	Total liabilities (10) + (11)								
13	Capital expenditure	6,109.1	1,110.3	16.4	146.8	2,230.0	2,014.1	356.7	..
14	Depreciation & amortization	5,111.4	1,073.5	12.8	519.5	396.1	536.7	348.6	(16.4

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

3. Includes share capital and reserves and surplus.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, the business segment results for the year ended March 31, 2014.

**Rupees in million**

Sr. No.	Particulars	Retail Banking	Wholesale Banking	Treasury	Other banking business	Life insurance	General insurance	Others	Inter segment adjustments
1	Revenue	274,116.0	324,024.8	392,902.4	32,231.1	159,902.0	57,122.0	33,494.9	(478,1
	External revenue	125,653.2	253,854.2	139,516.1	29,234.1	159,773.9	55,835.3	31,771.7	..
	Revenue from transfer pricing on external liabilities and other internal revenue	148,462.8	70,170.6	253,386.3	2,997.0	128.1	1,286.7	1,723.2	(478,1
2	Segment results	18,295.2	65,886.3	52,565.0	9,031.5	15,292.4	5,202.4	9,784.2	(13,19
3	Unallocated expenses								
4	Operating profit (2) – (3)								
5	Income tax expenses (net)/(net deferred tax credit)								
6	Net profit <sup>1</sup> (4) - (5).								
7	Other information Segment assets	991,908.9	2,426,741.3	2,370,923.6	681,783.0	815,256.1	131,928.9	201,135.0	(196,8
8	Unallocated assets <sup>2</sup>								
9	Total assets (7) + (8)								



Edgar Filing: ICICI BANK LTD - Form 20-F

10	Segment liabilities	2,388,971.3	1,048,445.5	2,408,594.4 <sup>3</sup>	672,409.6 <sup>3</sup>	816,826.0 <sup>3</sup>	135,456.3 <sup>3</sup>	203,764.4 <sup>3</sup>	(196,8
11	Unallocated liabilities								
12	Total liabilities (10) + (11)								
13	Capital expenditure	5,765.3	628.6	18.8	190.5	804.7	347.5	299.9	..
14	Depreciation & amortization	4,357.2	1,044.3	12.5	488.5	468.4	496.9	350.7	(25.8

1. Includes share of net profit of minority shareholders.

2. Includes tax paid in advance/tax deducted at source (net) and deferred tax asset (net).

3. Includes share capital and reserves and surplus.

The Bank has pursued a conscious strategy of increasing the share of low cost retail deposits and re-balancing the funding mix. Accordingly, retail deposits have been considerably higher than retail advances, resulting in higher segment liabilities as compared to segment assets in retail business segment for above periods. Further, the Bank has also been focusing on retail lending, resulting in growth in advances in retail banking segment during above periods.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****17. Employee Stock Option Scheme**

The following table sets forth, a summary of the Bank's stock options outstanding at March 31, 2016.

	<b>Number of shares</b>	<b>Weighted-average exercise price (Rs.)</b>	<b>Weighted-average remaining contractual life (Number of years)</b>	<b>Aggregate intrinsic value (Rs. in million)</b>
Outstanding at the beginning of the year	148,433,700	205.02	6.04	16,398.6
Add: Granted during the year	64,904,500	289.28		
Less: Lapsed during the year, net of re-issuance	4,189,850	260.67		
Less: Exercised during the year	17,523,785	161.16		
Outstanding at the end of the year	191,624,565	236.36	6.66	4,071.0
Options exercisable	89,788,515	198.08	4.46	3,672.6

The following table sets forth, a summary of the Bank's stock options outstanding at March 31, 2015.

	<b>Number of shares</b>	<b>Weighted-average exercise price (Rs.)</b>	<b>Weighted-average remaining contractual life (Number of years)</b>	<b>Aggregate intrinsic value (Rs. in million)</b>
--	-------------------------	--	--	---

Outstanding at the beginning of the year	140,521,765	183.74	5.90	9,564.5
Add: Granted during the year	32,375,500	259.96		
Less: Lapsed during the year, net of re-issuance	1,382,765	235.40		
Less: Exercised during the year	23,080,800	150.66		
Outstanding at the end of the year	148,433,700	205.02	6.04	16,398.6
Options exercisable	75,938,800	180.80	4.18	10,229.2

Total fair value of options vested for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 was Rs. 3,234.4 million, Rs. 2,672.7 million and Rs. 1,267.8 million respectively.

Total aggregate intrinsic value of options exercised for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 was Rs. 2,162.2 million, Rs. 3,712.5 million and Rs. 797.2 million respectively.

The total compensation cost related to non-vested awards not yet recognized at March 31, 2016 and March 31, 2015 was Rs. 4,262.1 million and Rs. 1,963.8 million respectively and the weighted-average period over which it is expected to be recognized was 2.46 years and 1.97 years respectively.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, a summary of stock options exercisable at March 31, 2016.

<b>Range of exercise price (Rupees per share)</b>	<b>Number of shares</b>	<b>Weighted- average exercise price (Rs.)</b>	<b>Weighted-average remaining contractual life (Number of years)</b>	<b>Aggregate intrinsic value (Rs. in million)</b>
60-99	2,556,700	86.96	3.03	382.7
100-199	55,150,965	181.44	3.40	3,044.9
200-299	32,073,350	235.52	6.41	245.0
300-399	7,500	321.17	8.59	..

The following table sets forth, a summary of stock options exercisable at March 31, 2015.

<b>Range of exercise price (Rupees per share)</b>	<b>Number of shares</b>	<b>Weighted- average exercise price (Rs.)</b>	<b>Weighted-average remaining contractual life (Number of years)</b>	<b>Aggregate intrinsic value (Rs. in million)</b>
60-99	4,946,000	81.02	2.47	1,159.7
100-199	55,309,485	177.21	3.64	7,648.7
200-299	15,683,315	224.91	6.60	1,420.8
300-399	..	..	..	..

The following table sets forth, a summary of Bank's unvested stock options outstanding at March 31, 2016.

<b>Shares</b>	<b>Weighted-average fair value at grant date (Rupees)</b>
---------------	---

Edgar Filing: ICICI BANK LTD - Form 20-F

Unvested at April 1, 2015	72,494,900	100.00
Add: Granted during the year	64,904,500	100.50
Less: Vested during the year	31,661,350	102.16
Less: Forfeited (unvested) during the year	3,902,000	99.78
Unvested at March 31, 2016	101,836,050	99.71

The following table sets forth, a summary of Bank's unvested stock options outstanding at March 31, 2015.

	<b>Shares</b>	<b>Weighted-average fair value at grant date (Rupees)</b>
Unvested at April 1, 2014	67,480,050	105.86
Add: Granted during the year	32,375,500	90.09
Less: Vested during the year	26,002,200	102.79
Less: Forfeited (unvested) during the year	1,358,450	102.05
Unvested at March 31, 2015	72,494,900	100.00

F-85

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, for the periods indicated, the key assumptions used to estimate the fair value of options.

	<b>Year ended March 31,</b> 2016	2015	2014
Risk-free interest rate	7.58% to 8.19%	8.36% to 9.10%	7.60% to 9.12%
Expected term	3.16 years to 5.78 years	2.85 years to 5.87 years	6.35 years 48.70%
Expected volatility	30.67% to 32.77%	31.55% to 47.57%	to 48.96%
Expected dividend yield	1.62% to 2.11%	1.43% to 1.77%	1.70% to 1.96%

Risk free interest rates over the expected term of the option are based on the government securities yield in effect at the time of the grant.

The expected term of an option is estimated based on the vesting term as well as expected exercise behavior of the employees who receive the option. For periods till March 31, 2014, the Bank had adopted the simplified method of vesting for grants based on Staff Accounting Bulletin 107. From April 1, 2014, expected term of option is estimated based on the historical stock option exercise pattern of the Bank, since this exercise behavior is considered to be representative for future exercise behavior.

Expected volatility during the estimated expected term of the option is based on historical volatility determined based on observed market prices of the Bank's publicly traded equity shares.

Expected dividends during the estimated expected term of the option are based on recent dividend activity.

**18. Selected information from Indian GAAP financials**

The following tables set forth, for the periods indicated, the income statement and balance sheet, by following the guidance of Regulation S-X.

### Rupees in million

	Year ended March 31,		
	2016	2015	2014
Interest and dividend income	592,937.1	549,640.0	494,792.5
Interest expense	339,964.7	323,181.5	297,106.1
Net interest income	252,972.4	226,458.5	197,686.4
Provision for loan losses & others	120,069.0	41,234.6	27,373.9
Provision for investments	2,985.1	4,128.9	1,628.8
Net interest income after provision for loan losses and investments	129,918.3	181,095.0	168,683.7
Non-interest income	421,021.4	352,522.4	300,846.1
Non-interest expense	407,895.6	350,227.1	306,663.5
Income before income taxes, minority interest	143,044.1	183,390.3	162,866.3
Income tax expense	33,775.2	53,967.3	46,095.1
Income before minority interest	109,268.9	129,423.0	116,771.2
Less: Minority interest	7,469.3	6,954.3	6,357.5
<b>Net income</b>	<b>101,799.6</b>	<b>122,468.7</b>	<b>110,413.7</b>

	Year ended March 31,		
	2016	2015	2014
Earnings per equity share: (Rs.)			
Basic	17.53	21.17	19.13
Diluted	17.41	20.94	19.03
Weighted average number of equity shares used in computing earnings per equity share (millions)			
Basic	5,807	5,786	5,772
Diluted	5,840	5,842	5,794

The shareholders of the Bank had approved the sub-division of one equity share of Rs. 10 into five equity shares having a face value of Rs. 2 each. The record date for the sub-division was December 5, 2014. Face value and number of shares have been re-stated and related ratios recomputed for all the previous periods presented to reflect the sub-division.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Rupees in million**

	At March 31,	
	2016	2015
<b>Assets</b>		
Cash and cash equivalents	650,359.7	476,371.7
Investments <sup>1,2</sup>	2,860,440.9	2,743,108.1
Loans, net <sup>1,2</sup>	4,937,291.1	4,384,901.0
Property, plant and equipment <sup>1,2,3</sup>	87,121.0	58,710.0
Goodwill	1,257.0	1,257.0
Deferred tax asset (net)	49,611.9	16,134.8
Interest accrued, outstanding fees and other income	81,249.2	75,727.5
Assets held for sale	18,172.5	877.5
Other assets	502,058.7	503,704.1
<b>Total assets</b>	<b>9,187,562.0</b>	<b>8,260,791.7</b>
<b>Liabilities</b>		
Interest-bearing deposits	3,907,384.8	3,354,955.8
Non-interest bearing deposits	603,389.2	504,596.7
Short-term borrowings and trading liabilities	604,318.8	696,225.8
Long-term debt	1,595,957.8	1,412,794.2
Redeemable preferred stock	3,500.0	3,500.0
Other liabilities	1,498,347.9	1,416,615.7
<b>Total liabilities</b>	<b>8,212,898.5</b>	<b>7,388,688.2</b>
Minority interest	33,556.4	25,058.1
Stockholders' equity	941,107.1	847,045.4
<b>Total liabilities and stockholders' equity</b>	<b>9,187,562.0</b>	<b>8,260,791.7</b>

<sup>1</sup> Includes financial securities amounting to Rs. 156,788.2 million and property, plant and equipment amounting to Rs. 307.4 million pledged as security towards short-term borrowings amounting to Rs. 150,473.2 million.

<sup>2</sup> Includes financial securities amounting to Rs. 172,313.6 million and property, plant and equipment amounting to Rs. 509.5 million pledged as security towards long-term borrowings amounting to Rs. 167,458.8 million.

<sup>3</sup> Includes property, plant and equipment amounting to Rs. 24.6 million, pledged in addition to negative lien on book debts as security, towards long-term borrowings amounting to Rs. 8,800.0 million.



The following tables set forth, for the periods indicated, the statement of stockholders' equity.

**Rupees in million**

	<b>Equity share capital</b>	<b>Employee stock options outstanding</b>	<b>Securities premium</b>	<b>Revenue and other reserves<sup>1</sup></b>	<b>Other special reserves<sup>2</sup></b>
Balance at April 1, 2013	11,536.4	44.8	314,492.4	163,442.9	198,107.6
Proceeds from issue of share capital	14.0	..	1,045.4	..	..
Additions during the year	..	20.9	..	44,886.6	47,540.1
Deductions during the year	..	..	..	(14,519.7 <sup>3</sup> )	(2,313.0 )
Balance at March 31, 2014	11,550.4	65.7	315,537.8	193,809.8	243,334.7

1. Includes revenue and other reserves and balance in profit and loss account.

2. Includes statutory reserve, special reserve, investment reserve, unrealized investment reserve, capital reserve fund, foreign currency translation reserve and reserve fund.

3. Includes Rs. 14,192.3 million utilized for creation of deferred tax liability on balance in Special Reserve at March 31, 2013 in accordance with Reserve Bank of India circular dated December 20, 2013.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Rupees in million**

	Equity share capital	Employee stock options  <b>outstanding</b>	Securities premium	Revenue and other reserves <sup>1</sup>	Other special reserves <sup>2</sup>
Balance at April 1, 2014	11,550.4	65.7	315,537.8	193,809.8	243,334.7
Proceeds from issue of share capital	46.2	..	3,516.9	..	..
Additions during the year	..	8.7	..	56,819.1	53,325.0
Deductions during the year	..	..	..	(16,135.9) <sup>3,4</sup>	(14,833.0)
Balance at March 31, 2015	11,596.6	74.4	319,054.7	234,493.0	281,826.7

1. Includes revenue and other reserves and balance in profit and loss account.

2. Includes statutory reserve, special reserve, investment reserve, unrealized investment reserve, capital reserve fund, foreign currency translation reserve and reserve fund.

3. At March 31, 2015, includes Rs. 9,291.6 million utilised with approval of Reserve Bank of India to provide for outstanding Funded Interest Term Loans related to accounts restructured prior to the issuance of RBI guideline in 2008. See also "Consolidated Financial statements-Schedules to Consolidated Financial Statements-Schedule 18: Notes forming part of the Accounts-15-Provision on Funded Interest Term Loan".

4. At March 31, 2015, includes Rs. 704.0 million utilised for creation of deferred tax liability of ICICI Home Finance Company Limited on balance in Special Reserve at March 31, 2014 in accordance with National Housing Board circular dated May 27, 2014.

**Rupees in million**

Equity share capital	Employee stock options  <b>outstanding</b>	Securities premium	Revenue and Other reserves <sup>1</sup>	Other special reserves <sup>2</sup>
----------------------------	--	-----------------------	---	---

Edgar Filing: ICICI BANK LTD - Form 20-F

Balance at April 1, 2015	11,596.6	74.4	319,054.7	234,493.0	281,826.7
Proceeds from issue of share capital	35.0	..	2,938.8	..	..
Additions during the year	..	0.8	..	5,618.4	96,860.9
Deductions during the year	..	(8.2 )	..	(1,843.6 )	(9,540.4 )
Balance at March 31, 2016	11,631.6	67.0	321,993.5	238,267.8	369,147.2

1. Includes revenue and other reserves and balance in profit and loss account.

2. Includes statutory reserve, special reserve, unrealized investment reserve, capital reserve fund, foreign currency translation reserve, revaluation reserve and reserve fund.

3. Includes revaluation reserve amounting to Rs. 28,174.7 million on fixed assets.

The following table sets forth, for the periods indicated, the movement in profit and loss account.

**Rupees in million**

	<b>March 31, 2016</b>	<b>March 31, 2015</b>	<b>March 31, 2014</b>
Balance at the beginning of the year	198,278.7	145,475.6	103,294.6
Additions during the year	101,799.6	122,468.7	110,413.7
Proposed dividend	(34,652.8 )	(33,900.5 )	(30,188.5 )
Deductions during the year	(67,214.7 )	(35,765.1 )	(38,044.2 )
Balance at the end of the year	198,210.8	198,278.7	145,475.6

The cash flow statement is in compliance with the requirements of IAS 7 – Cash Flow Statements.

The following table sets forth, for the periods indicated, the supplementary information to the cash flow statement.

**Rupees in million**

	Year ended March 31,		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Conversions of loans to investments	7,988.7	6,084.4	3,591.9
Interest paid	348,634.8	321,169.5	287,917.7
Interest and dividend received	587,251.1	536,354.7	478,178.9

F-88

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### ***19. Estimated fair value of financial instruments***

The Group's financial instruments include non-derivative financial assets and liabilities as well as derivative instruments. Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. Quoted market prices are used, wherever available. In other cases, fair values are based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and in many cases, may not be realized in an immediate sale of the instruments.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered as financial instruments. Disclosure of fair values is not required for certain items such as investments accounted for under the equity method of accounting, obligations for pension and other post-retirement benefits, income tax assets and liabilities, property and equipment, pre-paid expenses, core deposit intangibles and the value of customer relationships associated with certain types of consumer loans, particularly the credit card portfolio and other intangible assets. Accordingly, the aggregate fair value amount presented does not purport to represent and should not be considered representative of the underlying market or franchise value of the Group. In addition, because of differences in methodologies and assumptions used to estimate fair values, the Group's fair values should not be compared to those of other financial institutions.

The methods and assumptions used by the Group in estimating the fair values of financial instruments are described below.

Cash and balances with banks and money at call and short notice

The carrying amounts reported in the balance sheet approximate fair values because a substantial amount of the portfolio has maturities of less than three months.

Investments

The fair values of investments are generally determined based on quoted price or based on discounted cashflows. For certain debt and equity investments that do not trade on established exchanges and for which markets do not exist, estimates of fair value are based upon management's review of the investee's financial results, condition and prospects.

#### Advances

The fair values of commercial and consumer loans are estimated by discounting the contractual cash flows using interest rates currently offered on various loan products. The carrying value of certain other loans approximate fair value due to the short-term nature of these loans. The advances are classified as Level 3 instruments in view of absence of any significant market observable data for valuation of these instruments.

#### Deposits

The carrying amount of deposits with no stated maturity is considered to be equal to their fair value. Fair value of fixed rate time deposits is estimated by discounting contractual cash flows using interest rates currently offered on the deposit products. Fair value estimates for deposits do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of alternative forms of funding (core deposit intangibles). The deposits are classified as Level 3 instruments in view of absence of any significant market observable data for valuation of these instruments.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Borrowings**

The fair value of the Group's debt is estimated by discounting future contractual cash flows using appropriate interest rates and credit spreads. The carrying value of certain other borrowings approximates fair value due to the short-term nature of these borrowings. The borrowings are classified as Level 2 instruments in view of the inputs used like interest rates, yield curves and credit spreads, which are available from public sources like Reuters, Bloomberg and Fixed Income Money Markets & Derivatives Association of India.

The following table sets forth, for the periods indicated, the listing of the fair value by category of financial assets and financial liabilities.

**Rupees in million**

	<b>At March 31, 2016</b>		<b>At March 31, 2015</b>	
	<b>Carrying value</b>	Estimated fair value	<b>Carrying value</b>	Estimated fair value
<b>Financial assets</b>				
Cash and balances with Reserve Bank of India	272,775.6	272,775.6	258,376.7	258,376.7
Balances with banks and money at call and short notice	377,584.1	377,584.1	217,995.0	217,995.0
Investments	2,860,440.9	2,880,932.2	2,743,108.1	2,767,981.4
Advances	4,937,291.1	4,905,872.1	4,384,901.0	4,389,633.6
Other assets	547,789.2	547,789.2	541,041.3	541,041.3
<b>Total</b>	<b>8,995,880.9</b>	<b>8,984,953.2</b>	<b>8,145,422.1</b>	<b>8,175,028.0</b>
<b>Financial liabilities</b>				
Interest-bearing deposits	3,907,384.8	3,940,052.4	3,354,955.8	3,377,294.7
Non-interest-bearing deposits	603,389.2	603,389.2	504,596.7	504,596.7
Borrowings <sup>1</sup>	2,203,776.6	2,244,173.3	2,112,520.0	2,169,240.4
Other liabilities and provisions	494,852.5	494,852.5	449,308.8	449,308.8
<b>Total</b>	<b>7,209,403.1</b>	<b>7,282,467.4</b>	<b>6,421,381.3</b>	<b>6,500,440.6</b>

1. Includes preference share capital with a carrying value of Rs. 3,500.0 million (March 31, 2015: Rs. 3,500.0 million).





ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****20. Differences between Indian GAAP and U.S. GAAP**

The consolidated financial statements of the Group are prepared in accordance with Indian GAAP, which differs in certain significant aspects from U.S. GAAP.

The following tables summarize the significant adjustments to consolidated net income and stockholders' equity which would result from the application of U.S. GAAP.

**1. Net income reconciliation**

Rupees in million

	Note	Year ended March 31,		
		2016	2015	2014
<b>Consolidated profit after tax as per Indian GAAP excluding minority interests<sup>1</sup></b>		101,799.6	122,468.7	110,413.7
Adjustments on account of:				
Allowance for loan losses	(a)	(28,016.9 )	(7,786.5 )	(8,720.4 )
Business combinations	(b)	(414.7 )	(680.9 )	(776.8 )
Consolidation	(c)	3,043.1	(3,985.2 )	(1,177.9 )
Valuation of debt and equity securities	(d)	(5,532.0 )	(2,164.3 )	(5,796.8 )
Amortization of fees and costs	(e)	7,892.1	10,185.5	6,869.6
Accounting for derivatives	(f)	123.3	(2,051.9 )	382.1
Accounting for compensation costs	(g)	(3,585.0 )	(2,741.4 )	(2,193.8 )
Accounting for securitization	(h)	(327.3 )	(372.9 )	(544.1 )

Deferred tax benefit/(expense)	(i)	7,537.1	11,583.0	5,190.9
Others	(j)	(9,482.2 )	(7,541.4 )	(2,225.5 )
Total impact of all adjustments		(28,762.5 )	(5,556.0 )	(8,992.7 )
Net income as per U.S. GAAP attributable to ICICI Bank stockholders		73,037.1	116,912.7	101,421.0
<b>Net income as per U.S. GAAP attributable to non-controlling interests<sup>1</sup></b>		1,596.1	1,212.7	887.5
Total net income as per U.S. GAAP		74,633.2	118,125.4	102,308.5
Basic earnings per share (Rs.)				
Indian GAAP (consolidated)		17.53	21.17	19.13
U.S. GAAP (consolidated)		12.58	20.21	17.57
Diluted earnings per share (Rs.)				
Indian GAAP (consolidated)		17.41	20.94	19.03
U.S. GAAP (consolidated)		12.50	20.05	17.50

<sup>1</sup> Profit attributable to minority interests as per Indian GAAP was Rs. 7,469.3 million (March 31, 2015: Rs. 6,954.3 million and March 31, 2014: Rs. 6,357.5 million).

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****2. Stockholders' equity reconciliation**

Rupees in million

	Note	At March 31, 2016	2015
<b>Consolidated net worth as per Indian GAAP excluding minority interests <sup>1</sup></b>		941,107.1	847,045.4
Adjustments on account of:			
Allowance for loan losses	(a)	(41,842.7 )	(13,825.8 )
Business combinations	(b)	29,737.5	30,152.2
Consolidation	(c)	12,904.0	12,699.3
Valuation of debt and equity securities	(d)	(980.8 )	8,555.4
Amortization of fees and costs	(e)	1,328.3	(5,686.0 )
Accounting for derivatives	(f)	793.7	670.4
Accounting for compensation costs	(g)	..	..
Accounting for securitization	(h)	(1,058.9 )	(481.0 )
Deferred taxes	(i)	36,124.9	27,455.0
Others	(j)	(28,307.3 )	(62.2 )
Proposed dividend	(k)	31,868.9	31,730.2
Total impact of all adjustments		40,567.6	91,207.5
ICICI Bank stockholders' equity as per U.S. GAAP		981,674.7	938,252.9
<b>Non-controlling interests<sup>1</sup></b>		4,289.7	2,415.9
Total equity as per U.S. GAAP		985,964.4	940,668.8

1. Net worth, representing capital and reserves and surplus, attributable to minority interests as per Indian GAAP was Rs. 33,556.4 million (March 31, 2015: Rs. 25,058.1 million).

**a) Allowance for loan losses**

The differences in the allowance for loan losses between Indian GAAP and U.S. GAAP are primarily on account of:

- i. Difference in the discount rates used for computing allowances created on restructured assets, including allowances on certain loans transferred to asset reconstruction companies not accounted for as a sale under U.S. GAAP.

- ii. Allowances for loan losses created on other impaired loans made in accordance with FASB ASC Topic 450, "Contingencies" and FASB ASC Topic 310, "Receivables" under U.S. GAAP and graded provisioning rates on non-performing loans, subject to minimum provisioning rates prescribed by Reserve Bank of India guidelines under Indian GAAP for the Bank.

- iii. Allowances for credit losses on the performing portfolios based on the estimated probable losses inherent in the portfolio under U.S. GAAP as compared to prescriptive provisioning norms for standard assets as per Reserve Bank of India norms under Indian GAAP for the Bank.

ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

Under U.S. GAAP, the impaired loans portfolio is classified into restructured loans and other impaired loans. Restructured loans represent loans whose terms relating to interest and installment payments have been modified and qualify as troubled debt restructurings as defined in FASB ASC Subtopic 310-40, "Troubled Debt Restructurings by Creditors". Other impaired loans represent loans other than restructured loans, which qualify for impairment as per FASB ASC Subtopic 310-10, "Receivables Overall".

#### **Allowances on restructured loans**

Under Indian GAAP, the provision on restructured loans is required to be equal to the difference between the fair value of the loan before and after restructuring. The fair value of the loan before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the loan before restructuring and the principal. The fair value of the loan after restructuring is computed as the present value of cash flows representing the interest at the rate charged under the loan's restructured terms and the principal. Both sets of cash flows are discounted at the Bank's Base (I-Base) Rate plus the appropriate term premium and credit risk premium for the borrower category or other applicable rate. For loans restructured after July 2, 2015, both sets of cash flows are discounted at the existing rate of interest charged on the loan before the restructuring. Additional provisions as applicable to non-performing loans, are made on restructured loans, which fail to perform as per the restructuring terms.

Under U.S. GAAP, the allowance for loan losses for restructured loans is created by discounting expected cash flows at originally contracted interest rates, unlike Indian GAAP, under which the original and restructured cash flows are discounted at the current estimated lending rate. Allowances recognized on account of reductions of future interest rates as a part of troubled debt restructurings are accreted as a credit to the provision for loan losses over the tenor of the restructured loan under U. S. GAAP. Under U.S. GAAP, additional allowances based on present value of expected cash flows are made for restructured loans, which are not performing as per the restructured terms.

Under Indian GAAP, loan accounts subjected to restructuring are upgraded to the standard category if the borrower demonstrates, over a minimum period of one year, the ability to repay the loan in accordance with the contractual terms and the borrower gets reinstated to a normal level of general provisions for standard loans/risk weights for capital adequacy computations. The period of one year is from the commencement of the first payment of principal or interest whichever is later on the credit facility with the longest period of moratorium under the restructured terms. However, the process of upgrading under U.S. GAAP is not rule-based and the timing of upgrades may differ across individual loans.

In 2008, the RBI issued guidelines on debt restructuring, which also covered the treatment of funded interest in cases of debt restructuring, that is, instances where interest for a certain period is funded by a Funded Interest Term Loan which is then repaid based on a contracted maturity schedule. In line with these guidelines, the Bank has been providing fully for any interest income which is funded through a Funded Interest Term Loan for cases restructured subsequent to the issuance of the guideline. However, during fiscal 2015, RBI required similar treatment of outstanding FITL pertaining to cases restructured prior to the 2008 guidelines which had not yet been repaid. In view of the above, and since this item relates to prior years, under Indian GAAP, the Bank with the approval of the RBI debited its reserves to fully provide outstanding FITLs that originated prior to the issuance of the guideline. These FITLs relate to pre-2008 restructurings where the borrowers were since been upgraded, and this impact would get reversed as FITLs are repaid. Under US GAAP, the provision on these FITLs had been created based on discounted expected cash flows.

F-93

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **Allowances on other impaired loans**

The difference related to the provision for loans classified as other impaired under U.S. GAAP arises from differences in conclusions as to whether loans are impaired and due to a difference in methodology applied to calculate the allowance for loan losses under U.S. GAAP and Indian GAAP.

Under Indian GAAP, non-performing loans are classified into three categories: sub-standard assets, doubtful assets and loss assets. A loan is classified as sub-standard if interest payments or installments have remained overdue for more than 90 days. A provision of 15.0% is required for all sub-standard loans. An additional provision of 10.0% is required for accounts that are unsecured from the time of origination. A loan is classified as a doubtful loan if it has remained sub-standard for more than twelve months or if the value of security charged to the Bank has been eroded and fallen below 50% of the outstanding loan. A 100% provision/write-off is required with respect to the unsecured portion of the doubtful loans. A 100% provision is required for the secured portion of loans classified as doubtful for more than three years and is recorded in a graded manner as the three year period occurs. The provisions on non-performing retail loans held by the Bank are higher than the minimum regulatory requirement. A loan is classified as a loss asset if the losses on it are identified or the loan is considered uncollectible. For loans classified as a loss, the entire loan is required to be written off or provided for. In May 2013, the Reserve Bank of India revised its guidelines on restructuring of loans. As per the revised guidelines, loans restructured by the Bank after April 1, 2015 (excluding loans given for implementation of projects in the infrastructure sector and non-infrastructure sector and which are delayed up to a specified period) by re-scheduling principal repayments and/or the interest are classified as non-performing under Indian GAAP. In addition to the provision for the diminution in fair value of the restructured loans, the Bank is required to make loan loss provisions as applicable to non-performing loans for all loans availed by these borrowers.

Under U.S. GAAP, larger balance, non-homogenous exposures representing significant individual credit exposures (both funded and non-funded), are individually evaluated. The evaluation includes considerations of both qualitative and quantitative criteria, including but not limited to, the account conduct, future prospects, repayment history and financial performance. Loans are considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. In addition to the detailed review of significant individual credit exposures, the Bank also classifies its loans based on the overdue status of each account, based on which a loan is assessed for classification as impaired if principal or interest has remained overdue for more than 90 days. The Bank establishes specific allowances for each impaired larger balance, non-homogenous exposure based on either the present value of expected future cash flows or in case of a collateral dependent loan, the net realizable value of the collateral net of cost to sell, if any.

Smaller balance homogenous loans, including consumer mortgage, installment, revolving credit and most other consumer loans are evaluated for impairment at an aggregate portfolio level for each loan type. The allowance for loan losses attributed to these loans is established through a process that includes an estimate of probable losses inherent in the portfolio, based upon statistical analysis that, among other factors, includes analysis of historical delinquency and credit loss experience.

Under Indian GAAP, on the maturity or termination of the derivative contracts, any amount due from the counter-party, if not collected within 90 days, is required to be reversed through income statement under Reserve Bank of India guidelines. Under U.S. GAAP, these receivables are analyzed to identify the required provisions in the same manner as individual credit exposures.



ICICI Bank Limited and subsidiaries

## Schedules forming part of the Consolidated Financial Statements

### Allowances on performing loans

Under U.S. GAAP, allowances for credit losses on the performing loans are made under FASB Topic 450, “Contingencies”. The Bank estimates the allowance on commercial loans based on the internal estimates of probability of default and loss given default and overall portfolio quality as determined by internal credit ratings. The internal estimates of probability of default and loss given default reflect default rates and recovery experience historically observed by the Bank. The internal credit ratings of exposures reflect current economic conditions and relevant risk factors.

Under Indian GAAP, the allowances on the performing portfolios are based on guidelines issued by the Reserve Bank of India. The provisioning requirement is a uniform rate of 0.4% for all standard assets except –

farm credit to agricultural and the Small and Micro Enterprise sectors, which attract a provisioning requirement of 0.25%,

advances to commercial real estate residential and non-residential sectors which attract a provisioning requirement of 0.75% and 1.0% respectively,

In May 2011, the Reserve Bank of India increased the standard asset provisioning on restructured loans to 2.0% in the first two years from the date of restructuring. Loans restructured with a moratorium on payment of interest/principal attract a standard asset provision of 2.0% for the period covering the moratorium and two years thereafter.

Restructured accounts which were earlier classified as non-performing advances, when upgraded to the standard category carry a provision of 2.0% in the first year from the date of upgrade. In November 2012, Reserve Bank of India increased the standard asset provision on restructured loans from 2.00% to 2.75%. Standard asset provisions on accounts restructured after June 1, 2013 was increased to 5.0%. The standard asset provision required on accounts restructured before June 1, 2013 was increased to 3.5% from March 31, 2014 and further increased to 4.25% from March 31, 2015 and 5.0% from March 31, 2016.

As per the guidelines issued by the Reserve Bank of India, additional provision between 0.0%-0.80% is made, from April 1, 2014, on outstanding amounts to entities having unhedged foreign currency exposure. The provision range is based on percentage of likely loss due to unhedged foreign currency exposure to their earnings before interest, depreciation and lease rentals, if any.

Under Indian GAAP, the Reserve Bank of India guidelines do not specify the conditions under which the assets may be written-off. The Bank has internal policies for charge off of non-performing loans against loan loss allowances. Loans, including mortgage loans, are generally charged off against allowances when, based on a borrower-specific evaluation of the possibility of further recovery, the Bank concludes that the balance cannot be collected. The Bank evaluates whether a balance can be collected based on the realizable value of collateral, the results of the Bank's past recovery efforts, the possibility of recovery through legal recourse and the possibility of recovery through settlement. Small-balance homogenous loans other than mortgage loans are generally charged off against allowances after predefined periods of delinquency, as follows:

Two wheeler loans: overdue for 1 continuous year

Unsecured small value personal loans: overdue for 1 continuous year

Credit card receivables and unsecured personal loans: overdue for 3 continuous years

Other consumer loans: overdue for 5 continuous years

The same criteria are used for charge off of impaired loans under U.S. GAAP.

The Bank transfers certain loans to borrower specific funds/trusts managed by asset reconstruction companies in exchange for security receipts issued by the funds/trusts, as part of the strategy for resolution of non-performing assets. The funds/trusts have been set up by the asset reconstruction companies under enacted debt recovery legislation in India and they aim to improve the recoveries of banks on non-performing assets by aggregating lender interests and speeding up the enforcement of security interests by lenders. While under Indian GAAP, such transfers are recognized as a sale, under U.S. GAAP these transfers are not recognized as a sale due to the following reasons:

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

- Certain transfers do not qualify for sale accounting under FASB ASC Topic 860, “Transfers and servicing”, as the Bank retains the risks and rewards in such transfers.

- Certain transfers were impacted by FASB ASC Subtopic 810-10, “Consolidation – overall”. The funds/trusts to which these loans have been transferred are variable interest entities within the definition contained in ASC Subtopic 810-10. As the Bank is the ‘Primary Beneficiary’ of certain of these funds/trusts, it is required under U.S. GAAP to consolidate these entities.

The following table sets forth, for the periods indicated, the difference in aggregate allowances for loan losses between Indian GAAP and U.S. GAAP as attributable to the aforementioned reconciling items.

#### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Differences due to provision on loans classified as troubled debt restructuring under U.S. GAAP (includes cases transferred to asset reconstruction company)	(23,023.6)	(3,841.8)	14.4
Differences due to provisions on loans classified as other impaired under U.S. GAAP <sup>1</sup>	(44,630.8)	(2,485.5)	(5,946.3)
Differences due to provisions created on performing assets	3,637.5	(1,459.2)	(2,788.5)
Differences due to collective contingency and related reserve under Indian GAAP	36,000.0	..	..
	(28,016.9)	(7,786.5)	(8,720.4)

1. Includes provision on smaller balance homogeneous loans.

The differences in the methodology of computing loan loss allowances between Indian GAAP and U.S. GAAP, as described above, result in timing differences in the recognition of such losses.

The aggregate provisions on troubled debt restructured loans and other impaired loans under U.S. GAAP were higher as compared to Indian GAAP, during above periods, primarily due to higher provision on commercial loans under U.S. GAAP as compared to Indian GAAP reflecting higher additions to non-performing loans. In fiscal 2016, aggregate provision on troubled debt restructured loans and other impaired loans under U.S. GAAP increased significantly, as compared to Indian GAAP, due to significantly higher additions to impaired loans under U.S. GAAP as compared to Indian GAAP. Further, provisions were also impacted due to differences in method of measurement of provisions between Indian GAAP and U.S. GAAP, as discussed above.

Provision on performing loans increased under Indian GAAP at March 31, 2016 as compared to March 31, 2015. However, the provision on performing loans under U.S. GAAP remained at similar level at March 31, 2016 as compared to March 31, 2015 due to higher slippage of performing loans to impaired loans classification under U.S. GAAP. This resulted in positive impact under U.S. GAAP as compared to Indian GAAP during the year ended March 31, 2016.

There are uncertainties in respect of certain sectors due to weak global economic environment, sharp downturn in the commodity cycle, gradual nature of the domestic economic recovery and high leverage. The key sectors that have been impacted include iron and steel, mining, power, rigs and cement. In view of uncertainties relating to these sectors and the time it may take to resolve its exposure to these sectors, the Bank made a collective contingency and related reserve under Indian GAAP during the year ended March 31, 2016, amounting to Rs. 36,000.0 million towards its exposures to these sectors and certain promoter entities where the underlying is partly linked to these sectors. This reserve is over and above the provisions required for non-performing and restructured loans as per the Reserve Bank of India guidelines but, as a prudent matter, is permitted under Reserve Bank of India guidelines and Indian GAAP. Under U.S. GAAP, there was no collective contingency and related reserve taken to provide for its exposure to these sectors, but these exposures were individually assessed for impairment and an allowance for loan losses was made based on present value of expected cash flows for exposures identified as impaired, which are included in line item "Differences due to provision on loans classified as troubled debt restructuring under U.S. GAAP (includes cases transferred to asset reconstruction company)" and "Differences due to provisions on loans classified as other impaired under U.S. GAAP".

ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

The cumulative provisions under U.S. GAAP at March 31, 2016 continue to be higher than the cumulative provisions held under Indian GAAP as shown in the statement of stockholders' equity reconciliation.

#### **b) Business combinations**

The differences arising due to business combinations are primarily on account of:

- i) Determination of the accounting acquirer and
- ii) Accounting for intangible assets.

Under U.S. GAAP, the amalgamation between ICICI Bank Limited and ICICI Limited was accounted for as a reverse acquisition in fiscal 2003. This means that ICICI Limited was recognized as the accounting acquirer in the amalgamation, although ICICI Bank Limited was the legal acquirer. On the acquisition date, ICICI Limited held a 46% ownership interest in ICICI Bank Limited. Accordingly, the acquisition of the balance 54% ownership interest was accounted for as a step-acquisition. Under Indian GAAP, ICICI Bank Limited was recognized as the legal and the accounting acquirer and the assets and liabilities of ICICI Limited were incorporated in the books of ICICI Bank Limited in accordance with the purchase method of accounting. Further, under U.S. GAAP, the amalgamation resulted in goodwill and intangible assets while the amalgamation under Indian GAAP resulted in a capital reserve (negative goodwill), which was accounted for as Revenue and Other Reserves according to the scheme of amalgamation.

During fiscal 2011, ICICI Bank acquired Bank of Rajasthan Limited through exchange of common stock. The acquisition of the Bank of Rajasthan Limited was accounted for under Indian GAAP as per the Reserve Bank of India approved scheme of merger. Under Indian GAAP, the purchase consideration was determined to be Rs. 341.8 million based on the paid-up value of common stock issued. Under U.S. GAAP, the purchase consideration was determined as the fair value of total consideration transferred, based on ASC Topic 805, "Business Combinations", at Rs. 32,929.6 million. The impact of this, and some other non-significant factors relating to the accounting of business combinations, resulted in an increase in reconciliation differences of Rs. 32,682.7 million in stockholders' equity reconciliation due to accounting of business combinations for acquisition of Bank of Rajasthan in fiscal 2011. Under U.S. GAAP, goodwill of Rs. 27,120.9 million and definite life intangible assets of Rs. 3,898.0 million have been recorded as per ASC 805, "Business Combinations", and FASB ASC Topic 350, "Intangibles – Goodwill and others". Under Indian GAAP, no goodwill and intangible assets were recognized as per scheme of merger approved by the

Reserve Bank of India.

Further, for certain other acquisitions made by the Group, no goodwill and intangibles have been accounted for under Indian GAAP primarily due to accounting for the amalgamation by the pooling of interests method and as per scheme of merger approved by Reserve Bank of India. However, under U.S. GAAP, goodwill has been accounted for in accordance with FASB ASC Topic 805, "Business Combinations".

Under U.S. GAAP subsequent to the adoption of ASC Topic 350, the Group does not amortize goodwill and intangibles with infinite life but instead tests the same for impairment at least annually. The annual impairment test under ASC Topic 350 does not indicate an impairment loss for fiscal 2016.

Under U.S. GAAP intangible assets with finite useful life are amortized over their estimated useful lives in proportion to the economic benefits consumed in each period.

The following table sets forth, the estimated useful lives of intangible assets.

	<b>No. of years</b>
Customer-related intangibles	10
Core deposits	2 to 5
Operating lease	7

F-97

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth, for the periods indicated, the differences in net income arising from accounting for business combinations under Indian GAAP and U.S. GAAP.

#### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Amortization of intangibles	(182.3)	(490.3)	(848.3)
Others	(232.4)	(190.6)	71.5
Total difference in business combinations	(414.7)	(680.9)	(776.8)

#### c) Consolidation

The differences on account of consolidation are primarily on account of:

1. Consolidation of insurance subsidiaries;
2. Equity affiliates and majority owned subsidiaries; and
3. Consolidation of variable interest entities.

Under Indian GAAP, consolidation is required only if there is ownership of more than one-half of the voting power of an enterprise or control of the composition of the Board of Directors in the case of a company or of the composition of the governing body in case of any other enterprise.

Under Indian GAAP, the insurance subsidiaries (ICICI Prudential Life Insurance Company Limited and ICICI Lombard General Insurance Company Limited) are fully consolidated whereas under U.S. GAAP, these subsidiaries are accounted for by the equity method of accounting as the minority shareholders have substantive participating

rights as defined in ASC Subtopic 810-10.

The following table sets forth, for the periods indicated, the differences in net income arising from accounting for consolidation under Indian GAAP and U.S. GAAP.

### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Profit/(loss) as per U.S. GAAP for insurance subsidiaries	22,716.1	19,842.7	19,175.2
Less: Profit/(loss) as per Indian GAAP for insurance subsidiaries	21,576.0	21,700.1	20,769.5
<b>Net reconciliation difference for insurance subsidiaries</b> <sup>(1)</sup>	1,140.1	(1,857.4 )	(1,594.3 )
Profit/(loss) from insurance subsidiaries attributable to the Group <sup>(2)</sup>	816.9	(1,362.2 )	(1,164.3 )
Profit/(loss) from equity affiliates and majority owned subsidiaries	2,339.0	(2,526.4 )	(1,609.4 )
Profit/(loss) on consolidation of variable interest entities and special purpose entities <sup>(3)</sup>	(112.8 )	(96.6 )	1,595.8
Total differences in consolidation	3,043.1	(3,985.2 )	(1,177.9 )

1. Represents total differences in profit/(loss) between Indian GAAP and U.S. GAAP for life insurance and general insurance subsidiaries, as noted separately below.

2. Represents the Group's share of profit/(loss) in "Net reconciliation difference for insurance subsidiaries" and excludes the share of non-controlling interest holders. The Group owns part, not all, of the insurance subsidiaries. As such, only a portion of "Net reconciliation difference for insurance subsidiaries" is attributable to the Group; the rest is attributable to non-controlling interest holders. The share attributable to the Group constitutes the "Profit/(loss) from insurance subsidiaries attributable to the Group." Reconciling items pertaining to significant differences between Indian GAAP and U.S. GAAP for life insurance subsidiary and for general insurance subsidiary are discussed separately below.

3. Does not include any amount that is attributable to non-controlling interest holders.



ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **Life insurance subsidiary**

The significant differences between Indian GAAP and U.S. GAAP in case of the life insurance subsidiary are primarily on account of:

#### **i) Difference in statutory reserve and unallocated policyholders' surplus, net of amortization of deferred acquisition cost**

##### **Statutory reserve**

Reserves under Indian GAAP are held as per the requirements of the Insurance Regulatory and Development Authority of India and Practise Standards of the Institute of Actuaries of India. Accordingly, the reserves are computed using the Gross Premium Method (reserves are computed as the present value of future benefits including future bonuses and the present value of expenses including overheads and are net of the present value of future total premiums, paid by policyholders). The discount rates used are on prudent basis which change at every financial year end. Reserves under U.S. GAAP are valued using the Modified Net Premium Method as per the valuation norms prescribed under U.S. GAAP. The liability under U.S. GAAP consists of two parts, namely, policy reserves (comprising benefit reserve and maintenance expense reserve) and deferred premium liability.

The benefit reserve is computed as the present value of guaranteed benefits less the present value of the net premium for benefits. The maintenance expense reserve is computed as the present value of maintenance expenses less the present value of net premiums for maintenance expenses. Deferred premium liability is held in accordance with ASC Topic 944-40-25-28 for products where the premium paying term is shorter than the policy term so as to allow the emergence of the profits over the entire policy term. The discount rates used for non-linked products represent best estimate with a provision for adverse deviation and are on locked-in basis, where the assumptions change at every financial year end only for the new business sold with in the financial year. Under unit-linked products, the excess of initial charges over ultimate charges is held as unearned revenue reserve to allow for the emergence of the profit over the term of the policy. The discount rates used are on best estimate basis and change at every financial year end.

##### **Unallocated policyholders' surplus**

Unallocated policyholders' surplus represents amount to be set aside for policyholders under participating products as required under U.S. GAAP.

#### **Amortization of deferred acquisition cost**

Under Indian GAAP, acquisition cost is charged to the revenue account in the year in which it is incurred whereas under U.S. GAAP, the same is deferred over the policy term. The deferred acquisition costs are amortized in proportion to premium revenue recognition for traditional insurance products and based on the estimated gross profits (EGP) for unit linked and universal life products as per ASC Topic "Financial Services – Insurance". Accordingly, only certain acquisition costs specified in Accounting Standards Update 2010-26 can be deferred that are related directly to the successful acquisition of new or renewal insurance contracts.

#### **ii) Actuarial reserves on lapsed policies**

Under U.S. GAAP, certain actuarial reserves on lapsed policies created in earlier years are released through the profit and loss account. The release of such actuarial reserves has been accounted as funds for future appropriations as a balance sheet item under Indian GAAP. After expiry of reinstatement period, funds for future appropriation is released in profit & loss account on recommendation of Appointed Actuary.

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **iii) Compensation costs**

#### **Accounting for employee stock options**

Under Indian GAAP, stock compensation costs are accounted for using the intrinsic value method as compared to U.S. GAAP where the compensation costs have been accounted for based on fair value method.

#### **Retirement benefit cost**

Under Indian GAAP, all actuarial gains/losses are recognized on the balance sheet of the enterprise in the year in which they arise through suitable credit/debit in the profit and loss account of the year. Under U.S. GAAP, actuarial gains/losses are accounted in Other Comprehensive Income. Subsequently cumulative actuarial gain/loss lying in the Other Comprehensive Income which is over and above 10% corridor is amortized through profit and loss account. Further, discount rate for computing benefit obligation is linked to yield on high quality fixed income securities in U.S. GAAP as compared to yield on government securities under Indian GAAP.

### **iv) Unrealized gain/(loss) on trading portfolio of participating funds**

Under Indian GAAP, accounting for investments is in accordance with the guidelines issued by the Insurance Regulatory and Development Authority of India, which do not allow the unrealized gain to be routed through the revenue account except in the case of linked businesses. Under U.S. GAAP, as per the requirements of FASB ASC Topic 320 "Investments-Debt and Equity Securities", unrealized gain/(loss) on investments classified as held for trading is taken to the revenue account.

### **v) Deferred taxes**

The differences in the accounting for deferred taxes are primarily on account of:

## i) Tax impact of all U.S. GAAP adjustments.

ii) Under Indian GAAP, deferred tax assets or liabilities are recognized based on substantively enacted tax rates, whereas under U.S. GAAP, these are recognized on enacted tax rates in force at the balance sheet date.

The following table sets forth, for the periods indicated, the significant differences between Indian GAAP and U.S. GAAP in case of the life insurance subsidiary.

**Rupees in million**

Reconciling items	Year ended March 31,		
	2016	2015	2014
Profit/(loss) as per Indian GAAP	16,501.5	16,343.9	15,655.9
Adjustments on account of			
Difference in statutory reserve and unallocated policyholders' surplus, net of amortization of deferred acquisition cost	2,895.1	(7,119.2)	3,708.6
Actuarial reserves on lapsed policies.	131.6	(279.4)	(1,304.1)
Compensation costs.	107.6	(80.1)	33.6
Unrealized gain/(loss) on trading portfolio of participating funds.	(1,627.7)	7,732.5	(1,397.0)
Deferred taxes.	(120.8)	(741.7)	(141.1)
Others.	(33.0)	(32.8)	(3.0)
Profit/(loss) as per U.S. GAAP	17,854.3	15,823.2	16,552.9

Under U.S. GAAP, unrealized gain/(loss) on trading portfolio of participating funds was Rs. (1,627.7) million in fiscal 2016 primarily due to subdued equity market in India in fiscal 2016. This loss resulted in a lower liability for unallocated policyholder's surplus in fiscal 2016 under U.S. GAAP as compared to fiscal 2015. Unallocated policyholder's surplus movement resulted in a higher profit of Rs. 1,526.8 million under U.S. GAAP in fiscal 2016.

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

Under U.S. GAAP, unrealized gain/(loss) on trading portfolio of participating funds was Rs. 7,732.5 million in fiscal 2015 primarily due to improved equity market conditions in India in fiscal 2015. This gain resulted in a higher liability for unallocated policyholder's surplus in fiscal 2016 under U.S. GAAP as compared to fiscal 2014. Unallocated policyholder's surplus movement resulted in a lower profit of by Rs. 4,692.6 million under U.S. GAAP in fiscal 2015.

The following table sets forth, for the periods indicated, the components of deferred tax in net income reconciliation of the life insurance subsidiary.

#### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Application of enacted tax rates in force at balance sheet date	(52.9 )	..	(96.4 )
Tax impact of all U.S. GAAP adjustments over Indian GAAP	(67.9 )	(741.7)	(44.7 )
Total differences in deferred taxes	(120.8)	(741.7)	(141.1)

#### General insurance subsidiary

The significant differences between Indian GAAP and U.S. GAAP in case of the general insurance subsidiary are primarily on account of:

##### i) Provision for reinsurance commission

Under Indian GAAP, reinsurance commission on business ceded is recognized as income in the year of the ceding of the risk. Under U.S. GAAP, proceeds from reinsurance transactions that represent recovery of acquisition costs are reduced from unamortized acquisition costs in such a manner that net acquisition costs are capitalized and charged to expense in proportion to net revenue recognized.

**ii) Amortization of deferred acquisition costs**

Under Indian GAAP, acquisition cost is charged as expense to the revenue account in the year in which it is incurred whereas under U.S. GAAP the same is capitalized and charged to expense in proportion to premium revenue recognized as per ASC Topic 944 “Financial Services-Insurance”. Accordingly, only certain acquisition costs specified in Accounting Standards Update 2010-26 can be deferred that are related directly to the successful acquisition of new or renewal insurance contracts.

**iii) Premium deficiency**

Under Indian GAAP, premium deficiency is recognized if the sum of the expected claims costs, related expenses and maintenance costs exceed related unearned premiums. Under Indian GAAP, for assessment of premium deficiency, line of business are segmented under “Fire”, “Marine”, “Miscellaneous” segments (uptill fiscal 2015 premium deficiency was assessed at the Company level). Under U.S. GAAP premium deficiency is assessed for each line of business and recognized in the revenue account if the sum of expected claim costs and claims adjustment expenses, expected dividends to policyholders, un-amortized acquisition costs and maintenance costs exceed related unearned premiums.

A premium deficiency is recognized by first charging un-amortized acquisition costs to expense, to the extent required to eliminate the deficiency. If the premium deficiency is greater than un-amortized acquisition costs, a liability for the excess deficiency is required to be accrued.

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **iv) Compensation costs**

#### **Accounting for employee stock options**

Under Indian GAAP, stock compensation costs are accounted for by the intrinsic value method as compared to U.S. GAAP where the compensation costs have been accounted for at the fair value method in accordance with the requirement of FASB ASC Topic 718 "Compensation-Stock Compensation".

#### **Retirement benefit cost**

Under Indian GAAP, all actuarial gains/losses are recognized on the balance sheet of the enterprise in the year in which they arise through suitable credit/debit in the profit and loss account of the year. Under U.S. GAAP, actuarial gains/losses are accounted in Other Comprehensive Income. Subsequently cumulative actuarial gain/loss lying in the Other Comprehensive Income which is over and above 10% corridor is amortized through profit and loss account. Further, discount rate for computing benefit obligation is linked to yield on high quality fixed income securities in U.S. GAAP as compared to yield on government securities under Indian GAAP.

### **v) Deferred taxes**

The differences in the accounting for deferred taxes are primarily on account of:

i. Tax impact of all U.S. GAAP adjustments;

ii. Under Indian GAAP, deferred tax assets or liabilities are recognized based on substantively enacted tax rates, whereas under U.S. GAAP, these are recognized on enacted tax rates in force at the balance sheet date.

iii.

Under Indian GAAP, deferred tax assets on unabsorbed depreciation or carried forward losses are recognized only if there is virtual certainty of realization of such assets, whereas under U.S. GAAP it is recognized based on more-likely-than-not criteria.

The following table sets forth, for the periods indicated, the details of the significant differences between Indian GAAP and U.S. GAAP for the general insurance subsidiary.

### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Profit as per Indian GAAP	5,074.5	5,356.1	5,113.6
Adjustments on account of			
Provision for reinsurance commission	(985.8 )	(1,886.1)	(1,419.8)
Amortization of deferred acquisition costs	540.9	365.5	348.0
Premium deficiency	..	..	17.3
Compensation costs	(15.1 )	(7.3 )	(39.7 )
Deferred taxes	174.0	229.1	(1,426.7)
Others	73.3	(37.8 )	29.6
Profit/(Loss) as per U.S. GAAP	4,861.8	4,019.5	2,622.3

The following table sets forth, for the periods indicated, the components of deferred tax in net income reconciliation of the general insurance subsidiary.

### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Application of enacted tax rates in force at balance sheet date	48.8	(7.5 )	157.1
Deferred tax on unabsorbed depreciation or carried forward losses	..	(276.8)	(1,597.1)
Tax impact of all U.S. GAAP adjustments over Indian GAAP	125.2	513.4	13.3
Total differences in deferred taxes	174.0	229.1	(1,426.7)



ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

Under Indian GAAP, the Group has not consolidated certain entities in which investments are intended to be temporary. However under U.S. GAAP, these entities have been consolidated in accordance with FASB ASC Subtopic 810-10, "Consolidation – Overall". Under Indian GAAP, investment in 3i Infotech Limited was not accounted as per equity method based on the severe long-term restrictions on 3i Infotech Limited under restructuring arrangement that impair the ability of 3i Infotech Limited to transfer funds to its investors and the Group's intention to reduce the stake in 3i Infotech Limited below 20% in the future. However, under U.S. GAAP, this entity was accounted for as an equity affiliate in accordance with FASB ASC Subtopic 323-10 "Investments – Equity Method and Joint Ventures" up till fiscal 2015. In fiscal 2016, the Group sold its equity holdings in 3i Infotech Limited resulting in total equity holding below 5.0% at March 31, 2016. Accordingly, in fiscal 2016, the Group discontinued accounting of 3i Infotech Limited as an associate under U.S. GAAP, resulting in a net gain of Rs. 2,327.1 million in the consolidated financial statements representing reversal of loss pick-up in 3i Infotech Limited in previous years. The loss pick up for 3i Infotech Limited for the year ended March 31, 2015 and March 31, 2014 amounted to Rs. 2,671.6 million and Rs. 1,176.5 million respectively under U.S. GAAP.

### **Profit/(loss) on consolidation of Variable Interest Entities (VIEs)**

The Bank has applied FASB ASC Subtopic 810-10, "Consolidation – Overall" to consolidate certain variable interest entities. The Bank has consolidated certain qualified special purpose entities used for securitization transactions, effective April 1, 2010 on adoption of FAS 167 (codified within ASC 810-10). Upon consolidation, the assets of the QSPEs were incorporated into the Bank's loan portfolio and the amounts received from the investors were accounted for as borrowings. Under U.S. GAAP, the Bank accounts for the allowance for loan losses on these loans based on estimated probable losses.

Under Indian GAAP, securitized assets are derecognized from the Bank's books. As such, with respect to securitization transactions entered into before February 1, 2006, the Bank accounted for any profits or losses arising from securitization upfront at the time of securitization. However, in accordance with the Reserve Bank of India guidelines for securitization, for securitization transactions entered into after February 1, 2006, the Bank accounted for any losses immediately at the time of securitization but amortized any profits over the life of the securities issued or to be issued by the QSPEs. The Bank also provides credit enhancement to the QSPEs against delinquencies on securitized assets. Under Indian GAAP, effective February 1, 2006, the recognition of losses is based on the extent of utilization of credit enhancement extended to QSPEs.

Due to these differences in the Bank's accounting of securitization transactions, the timing of recognition of income and provision for loan losses differ under U.S. GAAP and Indian GAAP. The difference between Indian GAAP and U.S. GAAP on securitization accounting resulted in a loss of Rs. 101.4 million in fiscal 2015 and a gain of Rs. 142.1

million in fiscal 2016 under US GAAP as compared to Indian GAAP.

Further, the Bank has extended loans to overseas entities for secondary market purchase of Foreign Currency Convertible Bonds (FCCBs) issued by Indian companies, in accordance with the contractual terms. These entities are not consolidated under Indian GAAP. Under U.S. GAAP, these entities are consolidated as VIE. Under Indian GAAP, the Bank recorded an allowance for loan losses against loans extended to these VIEs. The difference in accounting has resulted in a net loss of Rs. 254.9 million and a net gain of Rs. 4.8 million for the year ended March 31, 2016 and March 31, 2015 respectively under U.S. GAAP as compared to Indian GAAP.

**d) Valuation of debt and equity securities**

Under Indian GAAP unrealized losses of held for trading and available for sale securities are taken to profit and loss account. Under Indian GAAP, net unrealized gains on investments by category are ignored. Under U.S. GAAP, unrealized gains or losses on trading assets are recognized in the profit and loss account and unrealized gains or losses on securities classified as 'available for sale', which include all securities classified as 'held to maturity' under Indian GAAP, are recognized in other comprehensive income under stockholders' equity except for the unrealized losses on securities identified as other than temporarily impaired which are recognized in profit and loss account.

F-103

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

Under Indian GAAP, unrealized gains and losses of venture capital subsidiaries investments are transferred to Reserves and Surplus. Under U.S. GAAP, unrealized gains or losses on investments of venture capital subsidiaries are recognized in the profit and loss account.

Under Indian GAAP, the impact of currency revaluation on debt securities denominated in foreign currency is taken to profit and loss account. Under U.S. GAAP, the impact of currency revaluation on non hedged 'available for sale' debt securities denominated in foreign currency is taken to other comprehensive income.

Under Indian GAAP, premium over the face value of fixed rate and floating rate securities under held to maturity category is amortized over the remaining period to maturity on an effective constant yield basis and straight line basis respectively. Any premium over the face value of fixed rate and floating rate investments in government securities classified under available for sale category is amortized over the remaining period to maturity on constant yield basis and straight line basis respectively. Under U.S. GAAP, the income as per interest method is arrived at by amortization/accrual of premium/discount on the face value of debt securities over the remaining period to maturity on an effective interest rate basis.

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring under which conversion of debt into equity and acquisition of ownership interests in the borrower by banks is allowed. The Reserve Bank of India has exempted banks from consolidation of these entities. Under U.S. GAAP, these entities were considered as equity affiliates. The Bank opted for fair value option of these equity affiliates under ASC Topic 825 "Financial Instruments". Accordingly, fair value changes in the loan and equity shares were accounted through income statement.

The following table sets forth, for the periods indicated, the differences in net income arising from accounting for valuation of debt and equity securities under Indian GAAP and U.S. GAAP.

#### Rupees in million

Reconciling items	Year ended March 31,		
	2016	2015	2014
Impact of differences in mark-to-market accounting for held for trading and available for sale securities	5,135.6	1,142.2	(1,535.2)

Other than temporary impairment on AFS securities under U.S. GAAP	(6,676.2)	(3,759.6)	(2,315.3)
Unrealized gain/loss in venture funds recognized in reserve & surplus under Indian GAAP, which is accounted for in net income under U.S. GAAP	(110.4 )	(122.4 )	(119.9 )
Impact of currency revaluation on non-hedged AFS debt securities denominated in foreign currency accounted for in profit and loss under Indian GAAP, which is accounted for in other comprehensive income under U.S. GAAP	(1,151.9)	379.1	(2,491.7)
Others	(2,729.1)	196.4	665.3
Total	(5,532.0)	(2,164.3)	(5,796.8)

#### e) Amortization of fees and costs

##### Loan origination fees and costs

Under U.S. GAAP, loan origination fees (net of certain costs) are amortized over the period of the loans as an adjustment to the yield on the loan. However under Indian GAAP, loan origination fees are accounted for upfront. Also under Indian GAAP, loan origination costs, including commissions paid to direct marketing agents, are expensed in the year in which they are incurred.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Retirement benefit cost**

Under Indian GAAP, all actuarial gains/losses are recognized on the balance sheet of the enterprise in the year in which they arise through suitable credit/debit in the profit and loss account of the year. Under U.S. GAAP, actuarial gains/losses are accounted in Other Comprehensive Income. Subsequently cumulative actuarial gain/loss lying in the Other Comprehensive Income which is over and above 10% corridor is amortized through profit and loss account. Further, discount rate for computing benefit obligation is linked to yield on high quality fixed income securities in U.S. GAAP as compared to yield on government securities under Indian GAAP.

The following table sets forth, for the periods indicated, the differences in net income arising from accounting for amortization of fees and costs under Indian GAAP and U.S. GAAP.

**Rupees in million**

Reconciling items	Year ended March 31,		
	2016	2015	2014
Loan origination fees and costs	7,034.8	8,141.9	6,766.1
Retirement benefit costs	965.5	2,350.9	268.0
Amortization of other costs	(108.2 )	(307.3 )	(164.5 )
Total differences in amortization of fees and costs	7,892.1	10,185.5	6,869.6

The amortization of loan origination fees and costs resulted in higher income under U.S. GAAP as compared to Indian GAAP by Rs. 7,034.8 million in fiscal 2016, by Rs. 8,141.9 million in fiscal 2015 and by Rs. 6,766.1 million in fiscal 2014 primarily due to higher direct loan origination costs in consumer loans and higher amortization of previous periods unamortized fees on commercial loans.

**f) Accounting for derivatives**

Under Indian GAAP, the interest rate and exchange rate risks on some on-balance sheet assets and liabilities are hedged through swap contracts. The impact of such derivative instruments is correlated with the movement of underlying assets and liabilities and accounted pursuant to the principles of the hedge accounting. Hedged swaps are accounted for on an accrual basis except in the case of the overseas banking subsidiaries, where the hedging transactions and the hedged items (for the risks being hedged) are measured at fair value with changes recognized in the profit and loss account. All other outstanding forward exchange contracts are revalued and the resultant gains or losses are recognized in the profit and loss account.

Under U.S. GAAP, the Group accounts for its derivative transactions in accordance with the provisions of FASB ASC Topic 815 “Derivative and Hedging”. Accordingly certain derivative contracts classified as hedges under Indian GAAP may not qualify as hedges under U.S. GAAP and are accounted for as trading derivatives with changes in fair value being recorded in the income statement.

Under U.S. GAAP, the Group has designated certain derivatives as fair value and cash flow hedges of certain interest bearing assets and liabilities under ASC Topic 815. At the inception of a hedge transaction, the Group formally documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. This process includes identification of the hedging instrument, hedged item, risk being hedged and the methodology for assessing effectiveness and measuring ineffectiveness of the hedge. In addition, the Group assesses both at the inception of the hedge and on an ongoing basis, whether the derivative used in the hedging transaction is effective in offsetting changes in fair value or cash flows of the hedged item, and whether the derivative is expected to continue to be highly effective. The Group assesses the effectiveness of the hedge instrument at inception and continually on a quarterly basis. The impact of changes in fair values of both the hedging instrument and the hedged item is included in the income statement. The Group has also designated certain forward contracts as hedging instruments for its certain net investments in foreign operations which are accounted for in accordance with ASC Topic 815.

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### **g) Accounting for compensation cost**

FASB ASC Topic 718, “Compensation – stock compensation” requires all share-based payments to employees, including grants of employee stock options to be recognized in the income statement based on their fair values. Under Indian GAAP, the Group follows the intrinsic value method to account for its stock-based employees’ compensation plans. Compensation cost is measured by the excess, if any, of the fair market price of the underlying stock over the exercise price on the grant date. The Group has not recognized deferred tax on employee stock options related compensation cost.

### **h) Accounting for securitization**

Under U.S. GAAP, the Group accounts for gain on sale of loans securitized at the time of sale in accordance with FASB ASC Topic 860, “Transfers and Servicing”. As per ASC Topic 860, any gain or loss on the sale of the financial asset is accounted for in the income statement at the time of the sale. Under Indian GAAP, with effect from February 1, 2006, net income arising from securitization of loan assets is accounted for over the life of the securities issued or to be issued by the special purpose vehicle/special purpose entity to which the assets are sold. With effect from May 7, 2012, the profit/premium arising from securitization is amortized over the life of the transaction based on the method prescribed by Reserve Bank of India. Net loss arising on account of the sell-down securitization and direct assignment of loan assets is recognized at the time of sale. Further, the securitization transactions of mortgage loans by Bank’s Canadian subsidiary do not qualify as sale transactions as they do not meet the de-recognition criteria under Indian GAAP. Under U.S. GAAP, these securitization transactions have been accounted for as transfers as these satisfy the derecognition criteria under ASC Topic 860 “Transfers and Servicing”.

After implementation of FAS 166 from April 1, 2010, certain transactions, which are qualified as securitization transactions under Indian GAAP, do not qualify as securitization under U.S. GAAP. See note 21(a) on “Securitizations and variable interest entities”.

### **i) Deferred taxes**

The differences in the accounting for deferred taxes are primarily on account of tax impact of all U.S. GAAP adjustments over Indian GAAP; deferred taxes are recognized on undistributed earnings of subsidiaries and affiliates

under U.S. GAAP while under Indian GAAP no deferred taxes are recognized on undistributed earnings of subsidiaries and affiliates; and under Indian GAAP, deferred tax assets or liabilities are recognized based on substantively enacted tax rates, whereas under U.S. GAAP, these are recognized on enacted tax rates in force at the balance sheet date.

The Bank has paid current taxes and created a deferred tax asset on the foreign currency translation reserves pertaining to its overseas branches under Indian GAAP. Under U.S. GAAP no deferred taxes are recognized on undistributed earnings of overseas branches where current taxes have been incurred.

Under Indian GAAP, deferred tax assets on unabsorbed depreciation or carried forward losses are recognized only if there is virtual certainty of realization of such assets, whereas under U.S. GAAP it is recognized based on more-likely-than-not criteria.

F-106



ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The Bank and its housing finance subsidiary create a Special Reserve through appropriation of profits, in order to avail the tax benefits as per the Income Tax Act, 1961. Such tax benefits are refundable if the funds are withdrawn from the Special Reserve in future periods. A deferred tax liability was not being recognized on such Special Reserve as the Group does not intend to ever withdraw from this Reserve and therefore differences between taxable income and accounting income were considered not to be temporary in nature. In fiscal 2014, the Reserve Bank of India advised all banks in India to recognize a deferred tax liability on the amount outstanding in Special Reserve under Indian GAAP. The Reserve Bank of India further permitted banks to recognize such deferred tax liabilities on the Special Reserve outstanding at March 31, 2013 through reserves and the amount transferred to Special Reserve after April 1, 2013 through the income statement. Further, in fiscal 2015, the National Housing Board advised all housing finance companies in India to recognize a deferred tax liability on the amount outstanding in Special Reserve, under Indian GAAP. The National Housing Board further permitted housing finance companies to recognize such deferred tax liabilities on the Special Reserve outstanding at March 31, 2014 through reserves and the amount transferred to Special Reserve after April 1, 2014 through the income statement. Under U.S. GAAP, deferred taxes are recognized and measured based on the expected manner of recovery and deferred taxes are not recognized if the expected manner of recovery does not give rise to tax consequences. Accordingly, a deferred tax liability was not recognized on Special Reserve based on the Group's continuing intention to not ever withdraw/utilize such Special Reserve and on an opinion from the legal counsel about non-taxability of such Special Reserve in the scenario of liquidation.

Under Indian GAAP, no deferred tax is recognized on property and equipment, which are not depreciable under tax laws. Under U.S. GAAP, deferred tax is recognized on the temporary difference on such assets after considering the indexation benefit available under tax laws.

The following table sets forth, for the periods indicated, the components of deferred tax in net income reconciliation.

**Rupees in million**

Reconciling items	Year ended March 31,		
	2016	2015	2014
Deferred tax on undistributed earnings of subsidiaries, branches and affiliates	(683.2 )	1,877.3	(3,109.8)
Application of enacted tax rates in force at balance sheet date	257.0	(257.0 )	1,126.9
Deferred tax where current tax has been incurred on foreign currency translation reserves	(5,877.5 )	..	..
Deferred tax on unabsorbed depreciation or carried forward losses	(3,709.7 )	2,403.2	892.6
Deferred tax on Special Reserve	4,574.9	3,738.6	3,042.6
Deferred tax on temporary difference on property and equipment	878.4	..	..

Tax impact of all U.S. GAAP adjustments over Indian GAAP	12,097.2	3,820.9	3,238.6
Total differences in deferred taxes	7,537.1	11,583.0	5,190.9

At March 31, 2016, the stockholders' equity was higher by Rs. 36,124.9 million (March 31, 2015: Rs. 27,455.0 million), under U.S. GAAP as compared to Indian GAAP on account of deferred tax adjustments, of which Rs. 2,063.5 million was due to deferred tax on undistributed earnings of subsidiaries, branches and affiliates, Nil was due to enacted tax rates, Rs. (5,877.5) million was due to deferred tax where current tax has been incurred on foreign currency translation reserves pertaining to overseas branches, Nil was due to deferred tax on carried forward losses, Rs. 26,632.2 million was due to deferred tax on Special Reserve, Rs. 878.4 million due to deferred tax on temporary difference on property and equipment, and Rs. 12,428.3 million was due to tax impact of other U.S. GAAP adjustments over Indian GAAP (March 31, 2015: Rs. (5.7) million, Rs. (257.0) million, Nil, Rs. 3,709.7 million, Rs. 21,677.5 million, Nil and Rs. 2,330.5 million respectively).

#### **j) Others**

Under Indian GAAP, on the disposal/partial disposal of a non-integral foreign operation, the cumulative/proportionate amount of the exchange differences which has been accumulated in the foreign currency translation reserve and which refers to that operation are recognized as income or expenses in the same period in which the gain or loss on disposal is recognized. Under U.S. GAAP, gain or loss accumulated in the foreign currency translation reserve is recognized in the income statement only on complete/substantially complete disposal of a non-integral foreign operation, resulting in lower profit of Rs. 9,411.9 million under U.S. GAAP as compared to Indian GAAP for the year ended March 31, 2016 (Rs 7,541.4 million and Rs. 2,225.5 million for the year ended March 31, 2015 and 2014 respectively).

Under Indian GAAP, the Bank revalued its fixed assets by creating revaluation reserve amounting to Rs. 28,174.7 million in fiscal 2016. Under U.S. GAAP, the Bank continued to account its fixed assets on cost basis under ASC Topic 360 – Property, Plant and Equipment, resulting in lower net-worth by Rs. 28,174.7 million under U.S. GAAP as compared to Indian GAAP.

#### **k) Proposed dividend**

Under Indian GAAP, dividends on common stock and the related dividend tax are recognized in the year to which it relates. Under U.S. GAAP, dividends on common stock and the related dividend tax are recognized in the year of approval by the Board of Directors.

ICICI Bank Limited and subsidiaries

## **Schedules forming part of the Consolidated Financial Statements**

### ***21. Notes under U.S. GAAP***

#### **Additional information required under U.S. GAAP**

##### **a) Securitizations and variable interest entities**

###### **Overview**

The Bank and its subsidiaries are involved with several types of off-balance-sheet arrangements, including special purpose entities.

###### **Uses of Special Purpose Entities (SPEs)**

The Group deals with some SPEs which were created to fulfill limited purposes as specified in their governing documents. The primary purpose of these SPEs is to receive contributions from investors for buying assets from the transferor, hold such purchased assets on behalf of the contributors to the trust and making regular payments to the investors from the proceeds of purchased assets. These SPEs have been organized mainly in the legal forms of trusts. In a securitization, the company transferring assets to a SPE converts all (or a portion) of those assets into cash before they would have been realized in the normal course of business, through the SPE's issuance of debt and equity instruments, certificates, commercial paper and other notes of indebtedness, which are recorded on the balance sheet of the SPE and not reflected in the transferring company's balance sheet, assuming applicable accounting requirements are satisfied. Investors usually have recourse to the assets in the SPE and often benefit from other credit enhancements, such as a collateral account or over-collateralization in the form of excess assets in the SPE, a line of credit, or from a liquidity facility, such as liquidity put option or asset purchase agreement. FASB issued accounting standards effective April 1, 2010, whereby the Group is required to consolidate certain of these trusts with which it had involvement and which had earlier been exempted from consolidation being Qualified Special Purpose Entities. In accordance with SFAS 167 (now codified as ASC 810-10), the Group consolidated these entities by initially measuring the assets, liabilities, and non-controlling interests of former QSPEs at their carrying values (the amounts at which the assets, liabilities, and non-controlling interests would have been carried in the consolidated financial statements, if the Group had always consolidated these former Qualified Special Purpose Entities). Further, SFAS 166 (now codified under ASC 810-10) required certain asset transfers, including transfers of portions of assets that would have been considered sales under SFAS 140, to be considered secured borrowings.

## **Variable Interest Entities**

VIEs are entities that have either a total equity investment that is not sufficient to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest (i.e., power through voting rights or similar rights to direct the activities of a legal entity that most significantly impact the entity's economic performance and right to receive the expected residual returns of the entity or obligation to absorb the expected losses of the entity). Investors that finance the VIE through debt or equity interests or other counterparties that provide other forms of support, such as guarantees, subordinated fee arrangements, or certain types of derivative contracts, are variable interest holders in the entity. The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary and must consolidate the VIE. Accordingly, the Group has determined that it has a controlling financial interest because it is the primary beneficiary of certain trusts and entities, based on its determination that it has both, the power to direct activities of a VIE that most significantly impact the entity's economic performance, and obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

F-108

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth the Group's involvement with consolidated and unconsolidated VIEs in which the Group holds significant variable interests at March 31, 2016.

**Rupees in million**

Particulars	Significant investment in unconsolidated VIEs	Investment in consolidated VIEs	Total investment in VIE assets (gross assets)
Funded			
Mortgaged backed securitizations	..	7,386.3	7,386.3
Asset backed securitizations	..	..	..
Loans	..	191.6	191.6
Total funded	..	7,577.9	7,577.9
Non-funded			
Mortgaged backed securitizations	..	..	..
Asset backed securitizations	..	..	..
Others	..	..	..
Total non-funded	..	..	..
Total	..	7,577.9	7,577.9

The following table sets forth the Group's involvement with consolidated and unconsolidated VIEs in which the Group holds significant variable interests at March 31, 2015.

**Rupees in million**

Particulars	Significant investment in unconsolidated VIEs	Investment in consolidated VIEs	Total investment in VIE assets (gross assets)
Funded			
Mortgaged backed securitizations	..	8,403.3	8,403.3

Asset backed securitizations	..	..	..
Loans	..	515.7	515.7
Total funded	..	8,919.0	8,919.0
Non-funded			
Mortgaged backed securitizations	..	..	..
Asset backed securitizations	..	..	..
Others	..	..	..
Total non-funded	..	..	..
Total	..	8,919.0	8,919.0

The asset balances for consolidated VIEs represent the carrying amounts of the assets consolidated by the Group. The carrying amount may represent the amortized cost or the current fair value of the assets depending on the legal form of the asset (e.g., loan or security) and the Group's standard accounting policies for the asset type and line of business. The assets of VIEs can be utilized only for the settlement of the obligations of respective VIEs.

The following table sets forth, for the periods indicated, the carrying amounts and classification of the consolidated assets and liabilities, in respect of VIEs and SPEs where the Group is primary beneficiary. The liabilities of the consolidated VIE are to be met from the proceeds of the consolidated assets and other support provided by the Bank in the form of credit enhancements and liquidity facilities. The creditors of the consolidated VIEs do not have recourse to the general credit of the Group.

### Rupees in million

Particulars	At March 31, 2016	At March 31, 2015
Cash	50.1	47.5
Investments	319.3	477.1
Loans	8,307.4	5,884.1
Others	—	0.9
Total assets	8,676.8	6,409.6
Borrowings	4,306.6	6,012.7
Other liabilities	—	50.4
Total liabilities	4,306.6	6,063.1

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The Bank invests in pass through certificates of securitization trusts with underlying retail loans originated by other entities. The carrying value of such investments was Rs. 94,221.6 million at March 31, 2016 (March 31, 2015: Rs. 117,111.8 million). The Bank is not the primary beneficiary of these trusts based on its assessment under ASC Subtopic 810-10 - Consolidation – overall, as the originator retains the risks and rewards. Further, neither was the Bank the transferor of assets to these VIEs, nor was the Bank involved in the design of these VIEs. The maximum exposure to loss from the Bank’s involvement in these trusts is the carrying value of the investments.

#### b) Fair value accounting of financial interests

In fiscal 2016, the Reserve Bank of India issued guidelines on strategic debt restructuring under which conversion of debt into equity and acquisition of ownership interests in the borrower entity by banks is allowed. The Bank, along with other lenders, converted a portion of its loans to certain entities into equity as per this guideline. Such conversion also allows each lender, the right to nominate directors on the Board of the borrower entity. Although these entities were considered as equity affiliates under ASC Subtopic 323-10 because of deemed significant influence due to ownership interests and management rights, the intention of the Bank is to safeguard the debt recovery and not to get an economic benefit from the operations of these entities. Accordingly, the Bank opted for fair value option for accounting these affiliates and the loans and equity share investments in these entities were fair valued through income statement under ASC Subtopic 825-10 “Financial Instruments”.

The fair value of loans to these entities at March 31, 2016 is Rs. 16,225.4 million as compared to the outstanding loan amount of Rs. 22,988.0 million (including fair value of Rs. 8,670.2 million for loans which are more than 90-days past due with a fair value loss of Rs. 4,416.6 million). The difference of Rs. 6,762.6 million between the fair value and the outstanding loan amount, which represents loss arising due to fair valuation, has been recognized as a charge to income during the current period. The Bank has not recognized interest separately on these loans. Further, a loss of Rs. 715.9 million has been recognized as a charge to income due to fair value changes in the equity investments in these entities.

The Bank’s shareholding in these entities at March 31, 2016 is as below:

<b>S. No</b>	<b>Name of the entity</b>	<b>Ownership interest</b>
1.	Lanco Teesta Hydro Power Limited	17.19%
2.	Gammon India Limited	10.86%
3.	Coastal Projects Limited	7.79%

- |    |                                 |       |
|----|---------------------------------|-------|
| 4. | IVRCL Limited                   | 4.66% |
| 5. | Monnet Ispat and Energy Limited | 2.73% |

### c) Investments

The following table sets forth, for the periods indicated, the portfolio of investments classified as held for trading.

#### Rupees in million

	At March 31, 2016	At March 31, 2015
Debt securities		
Government securities	166,707.3	139,045.6
Other debt securities	143,812.6	136,730.3
Total debt securities	310,519.9	275,775.9
Equity shares	56.7	3,320.1
Mutual funds	..	843.0
<b>Total</b>	<b>310,576.6</b>	<b>279,939.0</b>

F-110



ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, for the periods indicated, the portfolio of investments classified as available for sale.

**Rupees in million**

	At March 31, 2016			
	<b>Amortized cost/cost</b>	Gross Unrealized gain	Gross Unrealized loss	<b>Fair value</b>
Available for sale				
Corporate debt securities	184,592.0	5,083.7	(2,431.8 )	187,243.9
Government securities	1,126,385.0	11,585.8	(2,945.1 )	1,135,025.7
Other debt securities	124,231.0	1,486.3	(2,726.8 )	122,990.5
Total debt securities	1,435,208.0	18,155.8	(8,103.7 )	1,445,260.1
Equity securities	5,439.8	1,272.2	(243.4 )	6,468.6
Other securities	9,866.6	1,537.6	(156.8 )	11,247.4
<b>Total</b>	<b>1,450,514.4</b>	<b>20,965.6</b>	<b>(8,503.9 )</b>	<b>1,462,976.1</b>

**Rupees in million**

	At March 31, 2015			
	<b>Amortized cost/cost</b>	Gross Unrealized gain	Gross Unrealized loss	<b>Fair value</b>
Available for sale				
Corporate debt securities	174,350.0	5,130.8	(660.4 )	178,820.4
Government securities	1,070,785.8	13,578.7	(4,447.5 )	1,079,917.0
Other debt securities	141,383.0	4,044.1	(2,191.7 )	143,235.4
Total debt securities	1,386,518.8	22,753.6	(7,299.6 )	1,401,972.8
Equity securities	7,568.4	1,447.7	(283.4 )	8,732.7
Other securities	8,748.5	894.2	(396.8 )	9,245.9
<b>Total</b>	<b>1,402,835.7</b>	<b>25,095.5</b>	<b>(7,979.8 )</b>	<b>1,419,951.4</b>

The Group's investments portfolio also contains investments held by its venture capital subsidiaries and investment in non-readily marketable securities and investment in affiliates. The fair value of investments held by the venture capital subsidiaries was Rs. 239.5 million and Rs. 479.9 million at March 31, 2016 and March 31, 2015 respectively. Non-readily marketable securities primarily represent securities acquired as a part of project financing activities or conversion of loans in debt restructurings. The investment in non-readily marketable securities and investment in affiliates was Rs. 78,203.2 million and Rs. 85,168.6 million at March 31, 2016 and March 31, 2015 respectively. Further, the Bank has opted for fair value accounting of equity investments amounting to Rs. 2,997.9 million at March 31, 2016 under ASC Subtopic 825-10 "Financial Instruments".

#### **d) Fair value measurements**

The Group adopted FASB ASC Topic 820 "Fair Value Measurements and Disclosures" effective April 1, 2008. The Group determines the fair values of its financial instruments based on the fair value hierarchy established in ASC Topic 820. The standard describes three levels of inputs that may be used to measure fair value.

##### **Level 1**

Valuation is based upon unadjusted quoted prices of identical instruments traded in active markets. The instruments that have been valued based upon such quoted prices include traded equity shares, mutual funds, government securities, corporate bonds, certificate of deposits, commercial papers, futures and spots.

##### **Level 2**

Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, prices quoted by market participants and prices derived from valuation models which use significant inputs that are observable in active markets. Inputs used include interest rates, yield curves, volatilities, credit spreads, which are available from public sources like Reuters, Bloomberg, Foreign Exchange Dealers Association of India and Fixed Income Money Markets & Derivatives Association of India.

ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

The products include government securities, debentures and bonds, certificate of deposits, commercial papers, vanilla options, simple interest rate derivatives, forwards, cross currency interest rate swaps, and swap options.

#### **Level 3**

Valuation is based on valuation techniques or models which use significant market unobservable inputs or assumptions. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable or when determination of the fair value requires significant management judgment or estimation. The valuation of exotic derivative products are done by sourcing counterparty quotes at month ends.

India-linked non-Rupee denominated bonds price is valued by discounting cash flows using rates published by fair market spreads published by Bloomberg/ Reuters corresponding to the international foreign currency ratings of the issuer (capped at international sovereign rating). Some bonds and asset backed commercial paper have been valued at amortized cost net of impairment or based on prices available from Bloomberg which are developed using internal estimates and assumptions. A reduction in the expected cash flows of these instruments will adversely impact the value of these bonds. Similarly an increase in the interest rates or credit spreads will have an adverse impact on the value of these bonds. The value of retained interest in securitizations in Bank's Canadian subsidiary, largely representing the excess spread of mortgage interest over the rate of return on the mortgaged backed securities, is similarly impacted by the amount and timing of cash flows from the underlying mortgage assets.

The Group values the India linked credit derivatives at a combination of market quotes and cash flow discounting using spreads published by Fixed Income Money Markets & Derivatives Association of India corresponding to the domestic ratings of the issuer which is then adjusted with the additional spread mark ups depending on the liquidity of such financial instruments. Venture fund units and security receipts are valued at the net asset value received from the funds and the asset reconstruction companies (ARCs). The funds and ARCs make a number of assumptions with regard to various variables to arrive at the net asset values. In case of private equity investments, the inputs used include the valuation multiples for comparable listed companies and adjustments for illiquidity and other factors.

The valuation of Indian pass through certificates is dependent on the estimated cash flows that the underlying trust would pay out. The trust/originator makes a number of assumptions with regard to various variables to arrive at the estimated flows. The cash flow schedule received from the trust is discounted at the base yield curve rates and credit spreads published by Fixed Income Money Markets & Derivatives Association of India at month ends. Accordingly,

these instruments are classified as Level 3 instruments. A reduction in the estimated cash flows of these instruments will adversely impact the value of these certificates. A change in the timing of these estimated cash flows will also impact the value of these certificates.

The valuation of certain loans, which have been fair valued as per ASC Subtopic 825-10, is dependent on the estimated cash flows that the underlying borrowers would pay out. The Bank makes a number of assumptions with regard to various variables to arrive at the estimated cash flows. The cash flow schedule is discounted at the current interest rate, which the Bank is likely to offer to borrowers in the similar rating grades, which are not market observable. Accordingly, these loans are classified as Level 3 assets. The value of such loans will be impacted by changes in amount and timing of the estimated cash flows from the borrowers.

F-112

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, the information about the Group's assets and liabilities measured at fair value on a recurring basis at March 31, 2016 and the level of inputs used to measure those products.

**Rupees in million**

Description	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	6,138.7	123.4	3,473.5	9,735.6
Government debt securities	137,435.3	1,164,297.7	..	1,301,733.0
Corporate debt securities	78,663.3	119,414.9	11,035.6	209,113.8
Mortgage and other asset backed securities	5,268.3	..	98,066.4	103,334.7
Others <sup>1</sup>	51,167.4	96,821.4	4,884.2	152,873.0
Total investments	278,673.0	1,380,657.4	117,459.7	1,776,790.1
<b>Derivatives (positive mark-to-market)</b>				
Interest rate derivatives <sup>2</sup>	..	38,096.8	63.0	38,159.8
Currency derivatives (including foreign exchange derivatives) <sup>3</sup>	1,697.2	56,883.5	..	58,580.7
Equity derivatives	0.9	529.1	..	530.0
Un-funded credit derivatives	..	..	13.1	13.1
Total positive mark-to-market	1,698.1	95,509.4	76.1	97,283.6
<b>Derivatives (negative mark-to-market)</b>				
Interest rate derivatives <sup>2</sup>	(23.9 )	(19,520.9 )	(29.1 )	(19,573.9 )
Currency derivatives (including foreign exchange derivatives) <sup>3</sup>	(829.9 )	(56,667.9 )	..	(57,497.8 )
Equity derivatives	(0.7 )	..	..	(0.7 )
Un-funded credit derivatives	..	..	(12.3 )	(12.3 )
Total negative mark-to-market	(854.5 )	(76,188.8 )	(41.4 )	(77,084.7 )
Borrowing				
Bonds	..	(559,279.3 )	..	(559,279.3 )
Total borrowings	..	(559,279.3 )	..	(559,279.3 )
Loans				
Loans	..	..	16,225.4	16,225.4
Total loans	..	..	16,225.4	16,225.4

1. Includes primarily certificate of deposits, commercial paper, mutual funds and venture capital units.

2. Foreign currency interest rate swaps, forward rate agreements, swap options and exchange traded interest rate derivatives are included in interest rate derivatives.

3. Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

The following table sets forth, the information about the Group's assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and the level of inputs used to measure those products.

### Rupees in million

Description	Level 1	Level 2	Level 3	Total
Investments				
Equity securities	10,240.1	260.8	2,031.7	12,532.6
Government debt securities	199,795.0	1,019,167.5	..	1,218,962.5
Corporate debt securities	69,827.4	134,379.7	1,384.2	205,591.3
Mortgage and other asset backed securities	8,413.8	54.9	120,280.0	128,748.7
Others <sup>1</sup>	40,709.4	88,827.8	4,998.0	134,535.2
Total investments	328,985.7	1,242,690.7	128,693.9	1,700,370.3
<b>Derivatives (positive mark-to-market)</b>				
Interest rate derivatives <sup>2</sup>	..	37,991.4	155.9	38,147.3
Currency derivatives (including foreign exchange derivatives) <sup>3</sup>	555.6	68,753.1	..	69,308.7
Equity derivatives	2.1	337.8	..	339.9
Un-funded credit derivatives	..	..	18.3	18.3
Total positive mark-to-market	557.7	107,082.3	174.2	107,814.2

F-113

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Rupees in million**

Description	Level 1	Level 2	Level 3	Total
<b>Derivatives (negative mark-to-market)</b>				
Interest rate derivatives <sup>2</sup>	(17.0 )	(21,926.8 )	(85.4 )	(22,029.2 )
Currency derivatives (including foreign exchange derivatives) <sup>3</sup>	(2,028.9)	(77,230.9 )	..	(79,259.8 )
Equity derivatives	(3.3 )	..	..	(3.3 )
Un-funded credit derivatives	..	..	(16.9 )	(16.9 )
Total negative mark-to-market	(2,049.2)	(99,157.7 )	(102.3)	(101,309.2)
<b>Borrowing</b>				
Bonds	..	(523,287.7)	..	(523,287.7)
Total borrowings	..	(523,287.7)	..	(523,287.7)
<b>Loans</b>				
Loans	..	..	..	..
Total loans	..	..	..	..

1. Includes primarily certificate of deposits, commercial paper, mutual funds and venture capital units.

2. Foreign currency interest rate swaps, forward rate agreements, swap options and exchange traded interest rate derivatives are included in interest rate derivatives.

3. Foreign currency options, cross currency interest rate swaps and foreign currency futures are included in currency derivatives.

For certain products, the valuations based solely on market participant quotes/spreads were considered inadequate due to relatively inactive markets and hence alternative valuation methodology has been used. The market for these instruments remains illiquid as on March 31, 2016 and the sole reliability of market quotes remain inadequate as on the reporting date. Bonds which have been identified as illiquid and are valued based on the prices of similar assets or at a weighted average price derived from market quotes and valuation models have been classified as Level 2 or Level 3 instruments based on inputs used in valuation.

**Transfers between Levels of the fair value hierarchy**

Government securities of Rs. 62,784.5 million and equity shares of Rs. 76.1 million were transferred from Level 1 to Level 2 as these securities were valued based on quoted prices in markets which were not active at March 31, 2016 as compared to valuation based on quoted prices in active market at March 31, 2015. Corporate debt securities of Rs. 9,885.0 million were transferred from Level 1 to Level 2 as these securities were valued based on internal valuation using market observable inputs at March 31, 2016 as compared to valuation based on quoted price at March 31, 2015.

Corporate debt securities of Rs. 2,286.0 million and government securities of Rs. 89.5 million were transferred from Level 2 to Level 1 as these securities were valued based on quoted prices at March 31, 2016 as compared to valuation based on internal valuation using market observable inputs at March 31, 2015. Equity shares of Rs. 10.6 million were transferred from Level 2 to Level 1 as these securities were valued based on quoted prices in active market at March 31, 2016 as compared to valuation based on quoted prices in markets which were not active at March 31, 2015.

Corporate debt securities of Rs 10,494.5 million and other investments of Rs. 719.2 million were transferred from Level 2 to level 3 as the valuation of these securities was based on significant management estimation or unobservable market inputs at March 31, 2016 as compared to valuation based on internal valuation using market observable inputs at March 31, 2015. Equity shares of Rs. 149.6 million were transferred from Level 2 to level 3 as the valuation of these securities was done based on unobservable market inputs at March 31, 2016 as compared to valuation based on quoted prices in markets which were not active at March 31, 2015.

Equity of Rs. 59.2 million was moved out from Level 3 as these investments were accounted for at cost at March 31, 2016.

Cost method equity shares of Rs. 337.2 million were transferred to Level 3 as fair value of these securities was determined for impairment provision at March 31, 2016.

F-114



ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

Loans of Rs. 22,988.0 million given to equity affiliates, where the Bank has opted for fair valuation under ASC Subtopic 825-10 “Financial Instruments”, were classified as Level 3, since the fair valuation is based on significant management estimates and unobservable inputs.

F-115

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, certain additional information about changes in the fair value of Level 3 assets for the year ended March 31, 2016.

**Rupees in million**

Description	Investments				Loans		
	Equity securities	Corporate debt securities	Mortgage and other asset backed securities	Funded credit derivatives	Others	Total	
Beginning balance at April 1, 2015	2,031.7	1,384.2	120,280.0	..	4,998.0	128,693.9	..
Total gains or losses (realized/unrealized)							
-Included in earnings	(1,286.1 )	(1,522.7 )	89.3	..	(1,107.9)	(3,827.4 )	(6,762.6 )
-Included in other comprehensive income	176.8	466.3	695.4	..	710.4	2,048.9	..
Purchases/additions	2,484.8	211.8	42,454.2	..	499.6	45,650.4	..
Sales	(363.4 )	(42.2 )	..	..	(389.6 )	(795.2 )	..
Issuances	..	..	665.7	..	..	665.7	..
Settlements	..	..	(66,260.2 )	..	(571.8 )	(66,832.0 )	..
Transfers in Level 3	486.8	10,494.5	..	..	719.2	11,700.5	22,988.0
Transfers out of Level 3	(59.2 )	..	..	..	..	(59.2 )	..
Foreign currency translation adjustment	2.1	43.7	142.0	..	26.3	214.1	..
Ending balance at March 31, 2016	3,473.5	11,035.6	98,066.4	..	4,884.2	117,459.7	16,225.4
Total amount of gains or (losses) included in earnings attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	(1,260.8 )	(1,504.3 )	..	..	(1,164.9)	(3,831.2 )	(6,762.6 )

1. Includes India-linked asset backed securities.

F-116

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, certain additional information about changes in the fair value of Level 3 assets for the year ended March 31, 2015.

**Rupees in million**

Description	Investments					Total	Loans
	Equity securities	Corporate debt securities	Mortgage and other asset backed securities	Funded credit derivatives	Others		
Beginning balance at April 1, 2014	649.9	2,062.4	131,629.3	..	4,762.4	139,104.0	..
Total gains or losses (realized/unrealized)							
-Included in earnings	(805.6 )	(441.0 )	36.3	..	(531.5 )	(1,741.8 )	..
-Included in other comprehensive income	8.1	14.3	2,912.2	..	485.1	3,419.7	..
Purchases/additions	1,177.6	302.0	50,123.6	..	1,938.7	53,541.9	..
Sales	(225.2 )	(595.8 )	..	..	(1,103.6)	(1,924.6 )	..
Issuances	..	..	1,903.6	..	..	1,903.6	..
Settlements	..	..	(66,031.6 )	..	(3.5 )	(66,035.1 )	..
Transfers in Level 3	1,226.9	..	..	..	..	1,226.9	..
Transfers out of Level 3	..	..	..	..	(570.3 )	(570.3 )	..
Foreign currency translation adjustment	..	42.3	(293.4 )	..	20.7	(230.4 )	..
Ending balance at March 31, 2015	2,031.7	1,384.2	120,280.0	..	4,998.0	128,693.9	..
Total amount of gains or (losses) included in earnings attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	(808.2 )	(551.3 )	..	..	(520.0 )	(1,879.5 )	..

1. Includes India-linked asset backed securities.

F-117

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, certain additional information about changes in the fair value of Level 3 derivatives for the year ended March 31, 2016.

**Rupees in million**

Description	Derivatives				Total
	Interest rate derivatives	Currency derivatives (including foreign exchange derivatives)	Equity derivatives	Un-funded credit derivatives	
Beginning balance at April 1, 2015	70.5	..	..	1.4	71.9
Total gains or losses(realized/unrealized)					
-Included in earnings	(34.0 )	..	..	0.6	(33.4 )
-Included in other comprehensive income	..	..	..	..	..
Purchases	..	..	..	..	..
Sales	..	..	..	..	..
Issuances	..	..	..	..	..
Settlements	(2.7 )	..	..	(1.1 )	(3.8 )
Transfers in Level 3	..	..	..	..	..
Transfers out of Level 3	..	..	..	..	..
Foreign currency translation adjustment	..	..	..	..	..
<b>Ending balance at March 31, 2016</b>	<b>33.8</b>	<b>..</b>	<b>..</b>	<b>0.9</b>	<b>34.7</b>
Total amount of gains or (losses) included in earnings attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	(34.0 )	..	..	0.6	(33.4 )

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, certain additional information about changes in the fair value of Level 3 derivatives for the year ended March 31, 2015.

**Rupees in million**

Description	Derivatives				Total
	Interest rate derivatives	Currency derivatives (including foreign exchange derivatives)	Equity derivatives	Un-funded credit derivatives	
Beginning balance at April 1, 2014	(0.9 )	..	..	6.2	5.3
Total gains or losses(realized/unrealized)					
-Included in earnings	69.6	..	..	(7.4 )	62.2
-Included in other comprehensive income	..	..	..	..	..
Purchases	..	..	..	..	..
Sales	..	..	..	..	..
Issuances	..	..	..	..	..
Settlements	1.8	..	..	2.6	4.4
Transfers in Level 3	..	..	..	..	..
Transfers out of Level 3	..	..	..	..	..
Foreign currency translation adjustment	..	..	..	..	..
<b>Ending balance at March 31, 2015</b>	<b>70.5</b>	<b>..</b>	<b>..</b>	<b>1.4</b>	<b>71.9</b>
Total amount of gains or (losses) included in earnings attributable to change in unrealized gains or (losses) relating to assets still held at reporting date	69.6	..	..	(7.4 )	..

F-119

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The Group holds investments in certain venture funds and security receipts. The fair value of these investments has been estimated using the Net Asset Value per unit as declared by such investee entities. The Bank invests in these securities for the purposes of liquidity management, gains through appreciation in value of units and improvement in recoveries on non-performing assets. While certain units provide for redemption facility at relatively short notice, the venture funds units and security receipts operate under certain restrictions as to redemption and the cash flow from these investments is expected to happen upon liquidation of the underlying assets. A reduction in the estimated cash flows from the underlying assets or delays in collection of estimated cash flows will adversely impact the net asset values and therefore the fair value of these investments.

The following table sets forth, for the period indicated, the details of investments which are fair valued based on the net asset value considered as Level 3 inputs.

#### Rupees in million

Description of securities	At March 31,	
	2016	2015
	Fair value	<b>Fair value</b>
Security receipts	359.3	619.6
Venture fund units	4,497.8	4,142.9
Total	4,857.1	4,762.5

#### e) Loans

The following table sets forth the recorded investment in restructured loans at March 31, 2016.

Rupees in million



	Total recorded investment in restructured loans with related allowance for credit losses	Total allowances for credit losses	Total recorded investment in restructured loans with no related allowance for credit losses	Unpaid principal amount
Commercial loans	296,326.3	104,547.9	17,272.3	313,598.6
Consumer loans	3,046.6	2,805.9	..	3,046.6
Lease financing	..	..	..	..
Total	299,372.9	107,353.8	17,272.3	316,645.2

The following table sets forth the recorded investment in restructured loans at March 31, 2015.

Rupees in million

	Total recorded investment in restructured loans with related allowance for credit losses	Total allowances for credit losses	Total recorded investment in restructured loans with no related allowance for credit losses	Unpaid principal amount
Commercial loans	204,332.8	60,946.5	25,672.7	230,005.5
Consumer loans	4,227.2	3,565.4	..	4,227.2
Lease financing	..	..	..	..
Total	208,560.0	64,511.9	25,672.7	234,232.7

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth the recorded investment in other impaired loans at March 31, 2016.

Rupees in million

	Total recorded investment in other impaired loans with related allowance for credit losses	Total allowances for credit losses	Total recorded investment in other impaired loans with no related allowance for credit losses	Unpaid principal amount
Commercial loans	372,430.2	111,256.9	103,422.5	475,852.7
Consumer loans	30,840.5	17,614.5	..	30,840.5
Lease financing	..	..	..	..
Total	403,270.7	128,871.4	103,422.5	506,693.2

The following table sets forth the recorded investment in other impaired loans at March 31, 2015.

Rupees in million

	Total recorded investment in other impaired loans with related allowance for credit losses	Total allowances for credit losses	Total recorded investment in other impaired loans with no related allowance for credit losses	Unpaid principal amount
--	---	---	--	-------------------------------

Edgar Filing: ICICI BANK LTD - Form 20-F

Commercial loans	137,269.4	51,866.9	99,252.4	236,521.8
Consumer loans	27,451.8	16,636.5	..	27,451.8
Lease financing	..	..	..	..
Total	164,721.2	68,503.4	99,252.4	263,973.6

The following table sets forth the closing balance of allowance for loan losses for restructured loans and recorded financing receivables at March 31, 2016.

**Rupees in million**

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Total
Allowance for loan losses				
Allowance for loan losses: individually evaluated for impairment	104,547.9	..	..	104,547.9
Allowance for loan losses: collectively evaluated for impairment	..	2,805.9	..	2,805.9
<b>Total allowance for loan losses</b>	<b>104,547.9</b>	<b>2,805.9</b>	<b>..</b>	<b>107,353.8</b>
Recorded financing receivables				
Individually evaluated for impairment	313,598.6	..	..	313,598.6
Collectively evaluated for impairment	..	3,046.6	..	3,046.6
<b>Total recorded financing receivables</b>	<b>313,598.6</b>	<b>3,046.6</b>	<b>..</b>	<b>316,645.2</b>

F-121

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth the closing balance of allowance for loan losses for restructured loans and recorded financing receivables at March 31, 2015.

**Rupees in million**

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Total
Allowance for loan losses				
Allowance for loan losses: individually evaluated for impairment	60,946.5	..	..	60,946.5
Allowance for loan losses: collectively evaluated for impairment	..	3,565.4	..	3,565.4
Total allowance for loan losses	60,946.5	3,565.4	..	64,511.9
Recorded financing receivables				
Individually evaluated for impairment	230,005.5	..	..	230,005.5
Collectively evaluated for impairment	..	4,227.2	..	4,227.2
<b>Total recorded financing receivables</b>	<b>230,005.5</b>	<b>4,227.2</b>	<b>..</b>	<b>234,232.7</b>

The following table sets forth the closing balance of allowance for loan losses for other loans and recorded financing receivables at March 31, 2016.

**Rupees in million**

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Total
Allowance for loan losses				
Allowance for loan losses: individually evaluated for impairment	111,256.9	2,879.5	..	114,136.4
Allowance for loan losses: collectively evaluated for impairment	21,603.6	19,547.1	..	41,150.7
Total allowance for loan losses	132,860.5	22,426.6	..	155,287.1

Recorded financing receivables				
Individually evaluated for impairment	475,852.7	3,427.2	..	479,279.9
Collectively evaluated for impairment	2,081,383.2	2,014,478.9	..	4,095,862.1
<b>Total recorded financing receivables</b>	<b>2,557,235.9</b>	<b>2,017,906.1</b>	<b>..</b>	<b>4,575,142.0</b>

The following table sets forth the closing balance of allowance for loan losses for other loans and recorded financing receivables at March 31, 2015.

### Rupees in million

Particulars	Commercial loans	Consumer loans & credit card receivables	Financial lease	Total
Allowance for loan losses				
Allowance for loan losses: individually evaluated for impairment	51,866.9	2,810.5	..	54,677.4
Allowance for loan losses: collectively evaluated for impairment	23,138.2	16,543.6	..	39,681.8
<b>Total allowance for loan losses</b>	<b>75,005.1</b>	<b>19,354.1</b>	<b>..</b>	<b>94,359.2</b>
Recorded financing receivables				
Individually evaluated for impairment	236,521.8	2,944.1	..	239,465.9
Collectively evaluated for impairment	2,220,439.3	1,647,753.1	..	3,868,192.4
<b>Total recorded financing receivables</b>	<b>2,456,961.1</b>	<b>1,650,697.2</b>	<b>..</b>	<b>4,107,658.3</b>

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth loans restructured during the year ended March 31, 2016.

**Rupees in million**

Particulars	Number of borrowers whose loans are classified as restructured	Restructured loans involving changes in the amount and/or timing of		Both principal and interest payments	Total impact on P&L	Net restructured amount
		Principal payments	Interest payments			
Commercial loans	18	19,398.2	..	97,097.4	16,336.5	99,397.7
Consumer loans	..	..	..	..	..	..
<b>Total</b>	<b>18</b>	<b>19,398.2</b>	<b>..</b>	<b>97,097.4</b>	<b>16,336.5</b>	<b>99,397.7</b>

The following table sets forth loans restructured during the year ended March 31, 2015.

**Rupees in million**

Particulars	Number of borrowers whose loans are classified as restructured	Restructured loans involving changes in the amount and/or timing of		Both principal and interest payments	Total impact on P&L	Net restructured amount
		Principal payments	Interest payments			
Commercial loans	49	3,393.9	..	31,686.3	5,775.2	29,305.0
Consumer loans	432	19.8	..	44.7	7.3	57.2
<b>Total</b>	<b>481</b>	<b>3,413.7</b>	<b>..</b>	<b>31,731.0</b>	<b>5,782.5</b>	<b>29,362.2</b>

The following table sets forth restructured loans at March 31, 2016 and 2015, as well as loans that were restructured during a fiscal year and defaulted within the same or next fiscal year:

**Rupees in million**

Particulars	<b>Balances at March 31, 2016</b>	<b>Payment default during the year ended March 31, 2016<sup>1</sup></b>	<b>Balances at March 31, 2015</b>	<b>Payment default during the year ended March 31, 2015<sup>1</sup></b>
Commercial loans	313,598.6	19,990.7	230,005.5	36,669.9
Consumer loans	3,046.6	29.0	4,227.2	1.3
<b>Total</b>	<b>316,645.2</b>	<b>20,019.7</b>	<b>234,232.7</b>	<b>36,671.2</b>

1. Default is defined as 90 days past due.

Additionally at March 31, 2016, the Bank has outstanding loans amounting to Rs. 22,988.0 million to equity affiliates, where the Bank has opted for fair value accounting under ASC Subtopic 825-10 “Financial Instruments”. See also “– Notes under U.S. GAAP – Additional information required under U.S. GAAP – Fair value accounting of financial interests ”

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****f) Equity affiliates**

Under U.S. GAAP, the Group accounts for its ownership interest in ICICI Prudential Life Insurance Company Limited (ICICI Life) and ICICI Lombard General Insurance Company Limited (ICICI General) by the equity method of accounting because of substantive participative rights held by the minority shareholders.

The following tables set forth, for the periods indicated, the summarized U.S. GAAP balance sheets and statements of operations of these entities.

**Rupees in million**

Balance sheet	At March 31,			
	2016		2015	
	ICICI	ICICI	ICICI	ICICI
	Life	General	Life	General
Cash and cash equivalents	7,516.8	3,418.0	12,162.8	826.6
Securities	275,641.0	113,945.8	244,398.2	106,239.9
Assets held to cover linked liabilities	752,947.2	..	747,752.7	..
Other assets	53,844.8	40,789.5	51,933.1	32,660.0
<b>Total assets</b>	<b>1,089,949.8</b>	<b>158,153.3</b>	<b>1,056,246.8</b>	<b>139,726.5</b>
Provision for linked liabilities	752,947.2	..	747,752.7	..
Other liabilities	259,947.8	127,053.8	230,925.0	109,577.3
Stockholders' equity	77,054.8	31,099.5	77,569.1	30,149.2
<b>Total liabilities and stockholders' equity</b>	<b>1,089,949.8</b>	<b>158,153.3</b>	<b>1,056,246.8</b>	<b>139,726.5</b>

**Rupees in million**



Statement of income	Year ended March 31,			
	2016		2015	
	ICICI	ICICI	ICICI	ICICI
	Life	General	Life	General
Interest income	47,751.5	8,439.4	44,258.5	7,536.5
Interest expense	..	..	..	..
Net interest income	47,751.5	8,439.4	44,258.5	7,536.5
Insurance premium	191,643.9	48,289.5	153,066.2	42,315.5
Other non-interest income	(32,732.0 )	6,374.0	154,800.7	4,289.6
Non-interest expense	(187,280.7)	(56,412.7)	(335,560.4)	(48,800.1)
Income tax (expense)/benefit	(1,528.4 )	(1,828.4 )	(741.8 )	(1,322.0 )
Income/(loss), net	17,854.3	4,861.8	15,823.2	4,019.5

F-124

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****g) Goodwill and intangible assets**

The following table sets forth, for the periods indicated, a listing of goodwill and intangible assets, by category under U.S. GAAP.

**Rupees in million**

		Year ended March 31,	
		2016	2015
Goodwill		35,101.4	35,101.4
Accumulated amortization		(54.0 )	(54.0 )
Goodwill, net	(A)	35,047.4	35,047.4
Customer-related intangibles		10,410.1	10,410.1
Accumulated amortization		(10,321.5)	(10,174.5)
Customer related intangibles, net	(B)	88.6	235.6
Asset management and advisory intangibles	(C)	367.0	367.0
Operating lease		246.9	246.9
Accumulated amortization		(198.9 )	(163.5 )
Operating lease net	(D)	48.0	83.4
Goodwill and intangible assets, net	(A+B+C+D)	35,551.0	35,733.4

1. See also “schedule 18 - Fixed assets”.

The following table sets forth, for the periods indicated, the changes in goodwill under U.S. GAAP.

**Rupees in million**

Year ended March 31,  
2016      2015

Opening balance	35,047.4	35,184.4
Goodwill disposed off during the period	..	(137.0 )
Goodwill addition during the period	..	..
Closing balance	35,047.4	35,047.4

The following table sets forth, for the periods indicated, the changes in intangible assets under U.S. GAAP.

**Rupees in million**

	Year ended	
	March 31,	
	2016	2015
Opening balance	318.8	809.1
Amortization	(182.3)	(490.3)
Disposal	..	..
Closing balance	136.5	318.8

F-125

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth, for the periods indicated, the estimated amortization schedule for intangible assets under U.S. GAAP, on a straight line basis, until assets are fully amortized.

#### Rupees in million

Year ending March 31	Amount
2017	123.6
2018	12.9
<b>Total</b>	<b>136.5</b>

The Group has assigned goodwill to reporting units. The Group tests its goodwill for impairment on an annual basis at a reporting unit level. The fair value of the reporting units was derived by applying a comparable companies earnings multiple method. Under this method, the fair value of the reporting unit is arrived at by multiplying future maintainable profits of the reporting unit with price earning multiple. Based on the fair valuation, no goodwill impairment was recorded during the year ended March 31, 2016. Any deterioration in the variables used in determination of fair values of the reporting units could significantly affect the impairment evaluation and the results. The goodwill present in the Wholesale reporting unit may be particularly sensitive to further deterioration in economic conditions. If the future were to differ adversely from management's estimate of key assumptions, there could potentially arise an indication of impairment with respect to Rs. 14,482.3 million of goodwill in Wholesale reporting unit.

#### h) Employee benefits

##### Gratuity

In accordance with Indian regulations, the Group provides for gratuity, a defined benefit retirement plan covering all employees. The plan provides a lump sum payment to vested employees at retirement, death or termination of employment based on the respective employee's salary and the years of employment with the Group. The gratuity benefit provided by the Group to its employees is equal to or greater than the statutory minimum.

In respect of the parent company, the gratuity benefit is provided to the employee either through a fund administered by a Board of Trustees or managed by Life Insurance Corporation of India (LIC) and ICICI Prudential Life Insurance Company Limited. The Group is responsible for settling the gratuity obligation through contributions to the fund.

In respect of the remaining entities within the Group, the gratuity benefit is provided through annual contributions to a fund administered and managed by LIC and ICICI Prudential Life Insurance Company Limited. Under this scheme, the settlement obligation and contribution to be paid remains with the Group, although LIC and ICICI Prudential Life Insurance Company Limited administer the scheme.

The following table sets forth, for the periods indicated, the funded status of the plans and the amounts recognized in the financial statements.

**Rupees in million**

	Year ended March	
	31,	2015
	2016	2015
Change in benefit obligations		
Projected benefit obligations at the beginning of the year	7,188.6	6,149.5
Add: Adjustment for exchange fluctuation on opening obligations	4.3	3.1
Adjusted opening obligations	7,192.9	6,152.6
Service cost	673.9	568.3
Interest cost	611.1	589.3
Acquisition/(Divestitures)	(5.7 )	(20.8 )

F-126

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Rupees in million**

	Year ended March 31,	
	2016	2015
Plan amendments	..	..
Benefits paid	(711.2 )	(671.7 )
Actuarial (gain)/loss on obligations	151.9	570.9
Projected benefit obligations at the end of the year	7,912.9	7,188.6
<i>Change in plan assets</i>		
Fair value of plan assets at the beginning of the year	6,858.6	5,895.6
Acquisition/(Divestitures)	(5.7 )	(20.8 )
Actual return on plan assets	168.1	1,065.5
Employer contributions	882.6	590.0
Benefits paid	(711.2 )	(671.7 )
Plan assets at the end of the year	7,192.4	6,858.6
Funded status	(720.5 )	(330.3 )
Amount recognized, net	(720.5 )	(330.3 )
Accumulated benefit obligation at year-end	5,307.8	4,800.5

The following table sets forth, for the periods indicated, the components of the net gratuity cost.

**Rupees in million**

	Year ended March 31,		
	2016	2015	2014
Service cost	673.9	568.3	501.5
Interest cost	611.1	589.3	513.8
Expected return on assets	(524.6)	(454.5)	(437.3)

Edgar Filing: ICICI BANK LTD - Form 20-F

Amortization of transition asset/liability	..	..	..
Amortization of prior service cost	6.8	11.8	11.8
Amortized actuarial (gain)/loss	8.2	(6.4 )	3.7
Acquisition and divestiture (gain)/loss	..	..	..
Exchange gain/(loss)	4.3	3.1	5.8
Gratuity cost, net	779.7	711.6	599.3

The discount rate for the corresponding tenure of obligations for gratuity is selected by reference to local government bond rates with a premium added to reflect the additional risk for AAA rated corporate bonds.

The following table sets forth, for the periods indicated, the weighted average assumptions used to determine net periodic benefit cost.

**Rupees in million**

	Year ended March 31,		
	2016	2015	2014
Discount rate	8.5%	9.5%	8.8%
Rate of increase in the compensation levels	7.1%	7.1%	7.1%
Rate of return on plan assets	8.0%	8.0%	8.0%

The following table sets forth, for the periods indicated, the weighted average assumptions used to determine benefit obligations.

	Year ended March 31,	
	2016	2015
Discount rate	8.4%	8.5%
Rate of increase in the compensation levels	7.1%	7.1%

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Plan assets**

The Group determines its assumptions for the expected rate of return on plan assets based on the expected average long-term rate of return over the next 7 to 8 years.

The following table sets forth, for the periods indicated, the Group's asset allocation for gratuity by asset category based on fair values.

**Rupees in million**

	At March 31,	
	2016	2015
Assets category		
Investment in schemes of ICICI Prudential Life Insurance Company Limited .		
Group balance fund <sup>1</sup>	5,984.0	5,515.9
Group growth fund <sup>2</sup>	31.0	118.1
Group debt fund <sup>3</sup>	91.7	29.2
Group short-term fund <sup>4</sup>	1.8	3.4
<b>Total investment in schemes of ICICI Prudential Life Insurance Company Limited</b>	<b>6,108.5</b>	<b>5,666.6</b>
Investment in scheme of Life Insurance Corporation of India	644.8	707.1
<b>Total assets managed by external entities</b>	<b>6,753.3</b>	<b>6,373.7</b>
Special deposit with central government	291.2	291.2
Government debt securities	51.2	59.3
Corporate debt securities	81.2	119.1
Balance with banks and others	15.5	15.3
<b>Total</b>	<b>7,192.4</b>	<b>6,858.6</b>

Objective of the scheme is to provide a balance between long-term capital appreciation and current income through 1. investment in equity as well as fixed income instruments in appropriate proportions. At March 31, 2016, investment in government securities, corporate bonds and equity were 34.2%, 45.2%, and 15.8% respectively.

2. Objective of the scheme is to primarily generate long-term capital appreciation through investment in equity and equity-related securities and complement it with current income through investment in fixed income instruments in appropriate proportions depending on market conditions prevalent from time to time. At March 31, 2016,



investment in equity, corporate bonds and government securities were 55.7%, 22.0% and 11.7% respectively.

Objective of the scheme is to provide accumulation of income through investment in various fixed income securities. The fund seeks to provide capital appreciation while maintaining a suitable balance between return, safety and liquidity. The fund invests in debt and money market instruments. At March 31, 2016, investment in government securities and corporate bonds were 42.3% and 46.6% respectively.

Objective of the scheme is to provide suitable returns through investments primarily in low risk investment in debt and money market instrument while attempting to protect the capital deployed in the fund. At March 31, 2016, investment in corporate bonds and fixed deposits were 82.0% and 10.7% respectively.

The following table sets forth, for the periods indicated, the Group's target asset allocation for gratuity by asset category.

Description	Target asset allocation at March 31, 2017		Target asset allocation at March 31, 2016	
Funds managed by external entities	94	%	94	%
Special deposit with central government	4	%	4	%
Debt securities	2	%	2	%
Balance with banks	0	%	0	%
Total	100	%	100	%

The plan assets primarily consist of investments made in funds managed by external entities, which are primarily in equity, money market instruments and debt instruments in different proportions depending on the objective of schemes. The value of the plan assets in funds managed by ICICI Prudential Life Insurance Company Limited has been arrived at based on the net asset value per unit of individual schemes, which are considered as Level 2 input. The value of plan assets in the form of investments in scheme of LIC and special deposit with the Central Government are recorded at carrying value. The value of plan assets in the form of debt securities is derived using Level 2 input.

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

ICICI Prudential Life Insurance Company Limited administers the plan fund and it independently determines the target allocation by asset category. The investment strategy is to invest in a prudent manner for providing benefits to the participants of the scheme. The strategies are targeted to produce a return that, when combined with the Group's contribution to the funds will maintain the fund's ability to meet all required benefit obligations. ICICI Prudential Life Insurance Company Limited functions within the regulated investment norms.

LIC administers the plan fund and it independently determines the target allocation by asset category. The selection of investments and the asset category is determined by LIC. LIC's strategy is to invest in a prudent manner to produce a return that will enable the fund to meet the required benefit obligations. LIC, which is owned by Government of India, functions within regulated investment norms.

The plan assets are mainly invested in various gratuity schemes of the insurance companies to limit the impact of individual investment. The Group's entire investment of plan assets is in India and 84.9% of investment is in various gratuity schemes of ICICI Prudential Life Insurance Company Limited. Insurers managing the plan assets of the Group consider operational risk, performance risk, credit risk and equity risk in their investment policy as part of their risk management practices.

The following table sets forth, the benefit expected to be paid in each of the next five fiscal years and thereafter.

Rupees in million

	<b>Amount</b>
Expected Group contributions to the fund during the year ending March 31, 2017	595.0
Expected benefit payments from the fund during year ending March 31,	
2017	1,314.6
2018	1,267.5
2019	1,256.3
2020	1,362.8
2021	1,294.7
Thereafter upto 10 years	6,224.0

The expected benefits are based on the same assumptions as used to measure the Group's benefit obligation at March 31, 2016.

## **Pension**

The Group provides for pension, a deferred retirement plan covering certain employees. The plan provides for a pension payment on a monthly basis to these employees on their retirement based on the respective employee's salary and years of employment with the Group. Employees covered by the pension plan are not eligible for benefits under the provident fund plan. The pension plan pertained to the employees of erstwhile Bank of Madura, erstwhile Sangli Bank and erstwhile Bank of Rajasthan which were acquired with effect from March 2001, April 2007 and August 2010 respectively. The Group makes contribution to a trust which administers the funds on its own account or through insurance companies.

F-129

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, for the periods indicated, the funded status of the plan and the amounts recognized in the financial statements.

**Rupees in million**

	Year ended March 31,	
	2016	2015
Change in benefit obligations		
Projected benefit obligations at beginning of the year	12,263.1	9,596.6
Service cost	236.5	204.5
Interest cost	1,029.4	934.0
Liability extinguished on settlement	(1,554.0)	(1,381.1)
Benefits paid	(134.7 )	(164.9 )
Actuarial (gain)/loss on obligations	1,560.4	3,074.0
Projected benefit obligations at the end of the year	13,400.7	12,263.1
Change in plan assets		
Fair value of plan assets at beginning of the year	10,103.4	9,018.8
Actual return on plan assets	898.8	848.0
Assets distributed on settlement	(1,726.7)	(1,534.6)
Employer contributions	4,050.8	1,936.1
Benefits paid	(134.7 )	(164.9 )
Plan assets at the end of the year	13,191.6	10,103.4
Funded status	(209.1 )	(2,159.7)
Net amount recognized	(209.1 )	(2,159.7)
Accumulated benefit obligation at year end	11,998.0	10,748.5

The following table sets forth, for the periods indicated, the components of the net pension cost.

**Rupees in million**

Edgar Filing: ICICI BANK LTD - Form 20-F

	Year ended March 31,		
	2016	2015	2014
Service cost	236.5	204.5	216.9
Interest cost	1,029.4	934.0	823.6
Expected return on assets	(902.9 )	(743.8 )	(772.0 )
Curtailment and settlement (gain)/loss	172.7	153.5	223.6
Actuarial (gain)/loss	1,141.5	754.2	549.8
Net pension cost	1,677.2	1,302.4	1,041.9

The discount rate for the corresponding tenure of obligations for pension is selected by reference to government security yield with a premium added to reflect the additional risk corresponding to AAA rated corporate bonds.

The following table sets forth, for the periods indicated, the weighted average assumptions used to determine net periodic benefit cost.

	Year ended March 31,		
	2016	2015	2014
Discount rate	8.5%	9.8%	8.8%
Rate of increase in the compensation levels			
On basic pay	1.5%	1.5%	1.5%
On dearness relief	7.0%	7.0%	7.0%
Rate of return on plan assets	8.0%	8.0%	8.0%
Pension increases (applicable on basic pension)	7.0%	7.0%	7.0%

F-130

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, for the periods indicated, the weighted average assumptions used to determine benefit obligations.

	Year ended	
	March 31	
	2016	2015
Discount rate	8.4%	8.5%
Rate of increase in the compensation levels		
On basic pay	1.5%	1.5%
On dearness relief	7.0%	7.0%
Pension increases (applicable on basic pension)	7.0%	7.0%

**Plan Assets**

The Group determines its assumptions for the expected rate of return on plan assets based on the expected average long-term rate of return over the next 7 to 8 years.

The following table sets forth, for the periods indicated, the Group's asset allocation and target asset allocation for pension by asset category based on fair values.

**Rupees in million**

Asset category	Fair value at March 31, 2016	Fair value at March 31, 2015	Target asset allocation at March 31, 2017	Target asset allocation at March 31, 2016
Government debt securities	6,417.0	719.0	49 %	6 %

Edgar Filing: ICICI BANK LTD - Form 20-F

Corporate debt securities	6,029.8	820.5	46	%	6	%
Balance with banks and others	744.8	128.0	5	%	1	%
Funds managed by ICICI Prudential Life Insurance Company Limited	..	8,435.9	..		87	%
Total	13,191.6	10,103.4	100	%	100	%

The inputs to valuation of the government and corporate securities are derived using Level 2 inputs. The value of the plan assets in funds managed by ICICI Prudential Life Insurance Company Limited has been arrived at based on the net asset value per unit of individual schemes, which are considered as Level 2 input.

The Group's entire investment of plan assets are in India and invested in government securities, corporate bonds and equity traded funds. Trustees manage the plan assets of the Group by investing in above securities as per the investment pattern and guidelines prescribed under the Indian income tax law. Securities are purchased after considering credit rating, comparative yields and tenure of investment.

The following table sets forth, the benefit expected to be paid in each of the next five fiscal years and thereafter.

**Rupees in million**

	<b>Amount</b>
Expected Group contributions to the fund during the year ending March 31, 2017	3,000.0
Expected benefit payments from the fund during the year ending March 31,	
2017	803.7
2018	938.4
2019	1,169.4
2020	1,123.6
2021	1,207.7
Thereafter upto 10 years	5,175.3

ICICI Bank Limited and subsidiaries

### **Schedules forming part of the Consolidated Financial Statements**

The expected benefits are based on the same assumption as used to measure the Group's benefit obligation at March 31, 2016.

#### **Superannuation**

Superannuation is a defined contribution plan under which the Group contributes annually a sum equivalent to 15.0% of certain employee's eligible annual salary based on the option exercised by the employees, either to LIC or ICICI Prudential Life Insurance Company Limited, the managers of the fund, who undertake to pay the lump sum and annuity payments pursuant to the scheme. The Group contributed Rs. 129.0 million, Rs. 114.1 million and Rs. 123.1 million to the employees' superannuation plan for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 respectively.

#### **Provident fund**

In accordance with Indian regulations, employees of the Group (excluding those covered under the pension scheme) are entitled to receive benefits under the provident fund. Actuarial valuation for the interest rate guarantee on provident fund balance is determined by an actuary appointed by the Group. The actuarial gains or losses arising during the year are recognised in income statement. The Group contributes to fund set up by the Group and administered by a Board of Trustees. The Group has contributed Rs. 1,827.5 million, Rs. 1,708.4 million and Rs. 1,599.2 million to the employees' provident fund for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 respectively, which includes compulsory contribution made towards employee pension scheme under Employees Provident Fund and Miscellaneous Provisions Act, 1952.

#### **i) Earnings per share**

Basic earnings per share is net income per weighted average equity shares. Diluted earnings per share reflects the effect that existing options would have on the basic earnings per share if they were to be exercised, by increasing the number of equity shares.



The basic and diluted earnings per share under U.S. GAAP differs to the extent that income under U.S. GAAP differs.

The following table sets forth, for the periods indicated, the computation of earnings per share as per U.S. GAAP.

**Rupees in million, except per share data**

	Year ended March 31,		2015		2014	
	2016		Basic	Diluted	Basic	Diluted
Earnings						
Net income attributable to ICICI Bank stockholders (before dilutive impact)	73,037.1	73,037.1	116,912.7	116,912.7	101,421.0	101,421.0
Contingent issuances of subsidiaries/equity affiliates	..	(99.0 )	..	(109.5 )	..	(125.4 )
	73,037.1	72,938.1	116,912.7	116,803.2	101,421.0	101,295.6
Common stock						
Weighted-average common stock outstanding	5,807.3	5,807.3	5,785.7	5,785.7	5,771.5	5,771.5
Dilutive effect of employee stock options	..	28.2	..	40.2	..	18.0
Total	5,807.3	5,835.5	5,785.7	5,825.9	5,771.5	5,789.5
Earnings per share						
Net income (Rs.)	12.58	12.50	20.21	20.05	17.57	17.50

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****j) Income taxes****Components of deferred tax balances**

The following table sets forth, for the periods indicated, components of the deferred tax balances.

**Rupees in million**

	At March 31,	
	2016	2015
Deferred tax assets		
Allowance for loan losses	85,744.8	44,063.4
Available for sale securities	572.9	..
Investments in trading securities	96.4	155.6
Unearned income	88.8	2,589.9
Business/capital loss carry forwards	355.9	4,105.3
Investments in subsidiaries and affiliates	4,021.4	5,032.0
Others	4,835.0	1,309.1
	95,715.2	57,255.3
Valuation allowance	(355.9 )	(346.0 )
Total deferred tax asset	95,359.3	56,909.3
Deferred tax liabilities		
Available for sale securities	(1,004.3 )	(1,165.0 )
Property and equipment	(5,893.7 )	(6,682.1 )
Investments in subsidiaries, branches and affiliates	(1,957.9 )	(5,037.7 )
Intangibles	(38.1 )	(99.4 )
Long-term debt	(136.0 )	(170.4 )
Others	(1,423.5 )	(732.7 )
Total deferred tax liability	(10,453.5)	(13,887.3 )
Net deferred tax asset	84,905.8	43,022.0

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax asset is dependent on the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, the projected future taxable income, and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable incomes over the periods in which the deferred tax assets are deductible, management believes that it is more likely than not that the Group will realize the benefits of those deductible differences, net of the existing valuation allowances at March 31, 2015 and 2016. The amount of deferred tax assets considered realizable, however could be reduced in the near term if estimates of future taxable income are reduced.

The Indian statutory tax rate was 34.61%, 33.99% and 33.99% for the year ended March 31, 2016, 2015 and 2014 respectively including surcharge and education cess.

F-133

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements****Reconciliation of tax rates**

The following table sets forth, for the periods indicated, reconciliation of expected income taxes at statutory income tax rate to income tax expense/(benefit).

Rupees in million

	Year ended March 31,			
	2016	2015	2014	
Income/(loss) before income taxes including non-controlling interest from operations				
In India	110,972.7	140,383.6	119,303.5	
Outside India	(13,316.3 )	18,516.9	24,079.0	
<b>Total</b>	<b>97,656.4</b>	<b>158,900.5</b>	<b>143,382.5</b>	
Statutory tax rate	34.61	% 33.99	% 33.99	%
Income tax expense/(benefit) at the statutory tax rate	33,794.9	54,010.3	48,735.7	
Increases/(reductions) in taxes on account of:				
Special tax deductions available to financial institutions	(4,576.0 )	(3,817.5 )	(3,128.1 )	
Exempt interest and dividend income	(5,536.3 )	(3,633.0 )	(2,777.4 )	
Income charged at rates other than statutory tax rate	(2,853.8 )	(6,055.6 )	(5,013.5 )	
Changes in the statutory tax rate	(831.4 )	(15.9 )	(1,551.1 )	
Expenses disallowed for tax purposes	2,108.4	2,297.5	1,112.4	
Tax on undistributed earnings of subsidiaries, branches and affiliates	2,991.2	(1,581.2 )	3,817.3	
Change in valuation allowance	9.9	(3.0 )	31.9	
Tax adjustments in respect of prior year tax assessments	(1,750.6 )	(291.1 )	(7.4 )	
Others	(335.1 )	(135.5 )	(145.8 )	
<b>Income tax expense/(benefit) reported<sup>1</sup></b>	<b>23,023.2</b>	<b>40,775.0</b>	<b>41,074.0</b>	

<sup>1</sup> Includes current taxes for foreign operations of Rs. 2,110.0 million, Rs. 1,716.9 million and Rs. 2,322.1 million and 1. deferred tax (expense)/benefit for foreign operations of Rs. 6,826.4 million, Rs. 243.9 million and Rs. 197.9 million for the year ended March 31, 2016, 2015 and 2014 respectively.

At March 31, 2016, total business loss carry forwards pertaining to the Group's subsidiaries is Rs. 790.4 million with expiration dates as follows: March 31, 2028: Rs. 291.3 million, March 31, 2029: Rs. 233.2 million, March 31, 2030: Rs. 62.9 million, March 31, 2031: Rs. 147.7 million, March 31, 2033: Rs. 53.2 million, March 31, 2034: Rs. 1.1 million, March 31, 2035: Rs. 0.7 million and March 31, 2036: Rs.0.3 million.

### **Accounting for uncertainty in income taxes**

The Group has a policy to include interest and penalties on income taxes, if any, within interest expense or income and income tax expense respectively. However, no interest expense has been recognized in view of the adequate taxes paid by the Group in respect of unrecognized tax benefits. No penalties have been accrued as of March 31, 2016, as the Group believes that the tax positions taken have met the minimum statutory requirements to avoid payment of penalties.

The Group has recognized income with respect to interest accrued or received on tax refunds due to the group against favourable orders received from tax authorities amounting to Rs. 3,135.6 million, Rs. 2,735.7 million and Rs. 1,941.8 million during the year ended March 31, 2016, 2015 and 2014 respectively. Further, the Group does not recognize the interest income accrued on advance income taxes paid against various income tax matters until the related matter is resolved with the taxing authority. Unrecognized interest on such advance income taxes paid is Rs. 11,529.9 million, Rs. 11,460.3 million and Rs. 11,873.4 million at March 31, 2016, 2015 and 2014 respectively.

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth, for the periods indicated, a reconciliation of the beginning and ending amount of unrecognized tax benefits.

#### Rupees in million

	Year ended March 31,		
	2016	2015	2014
Beginning balance	25,486.9	22,498.8	16,415.5
Increases related to prior year tax positions	380.7	..	3,515.4
Increases related to current year tax positions	2,725.2	2,988.1	2,567.9
Decreases related to prior year tax positions	(1,014.2)	..	..
Ending balance	27,578.6	25,486.9	22,498.8

The Group's total unrecognized tax benefits, if recognized, would reduce the tax provisions and thereby would affect the Group's effective tax rate.

The Group's major tax jurisdiction is India and the assessments are not yet completed for fiscal year 2013 and onwards. However, appeals filed by the Company are pending with various local tax authorities in India from fiscal years 1993 onwards.

Significant changes in the amount of unrecognized tax benefits within the next 12 months cannot be reasonably estimated as the changes would depend upon the progress of tax examinations with various tax authorities.

#### k) Other than temporary impairment

The Group has determined that certain unrealized losses on the Group's investments in equity and debt securities are temporary in nature. The Group conducts a review each year to identify and evaluate investments that have indications of possible impairment. An investment in an equity or debt security is impaired if its fair value falls below its cost and

accounting recognition of that decline in value is required if that decline is considered other than temporary. Factors considered in determining whether a loss is temporary include the financial condition and near term prospects of the issuer. For equity securities, individual investments that have fair value of less than 80% of amortized cost are considered for evaluation for other than temporary impairment, after consideration of the length of time the investment has been in an unrealized loss position. Additionally, for equity securities, the impairment evaluation is based on the Group's intent and ability to hold the investments for a period sufficient to allow for any anticipated recovery, while for debt securities the Group considers whether the investments have been identified for sale or whether it is more likely than not that the Group will be required to sell the investment before recovery of its amortized cost basis less any current period credit loss.

The following table sets forth, the fair value of the investments in equity and debt securities and unrealized loss position, which are considered as temporary in nature at March 31, 2016.

### Rupees in million

Description of securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	<b>Fair Value</b>	Unrealized Losses
Corporate debt securities	16,258.2	(382.8 )	12,755.6	(2,049.0 )	29,013.8	(2,431.8 )
Government securities	20,479.0	(202.3 )	90,859.6	(2,742.7 )	111,338.6	(2,945.0 )
Other debt securities	34,695.9	(528.4 )	14,489.4	(2,224.3 )	49,185.3	(2,752.7 )
Total debt securities	71,433.1	(1,113.5 )	118,104.6	(7,016.0 )	189,537.7	(8,129.5 )
Equity securities	1,993.5	(260.9 )	722.4	(145.2 )	2,715.9	(406.1 )
Total	73,426.6	(1,374.4 )	118,827.0	(7,161.2 )	192,253.6	(8,535.6 )

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, the fair value of the investments in equity and debt securities and unrealized loss position, which are considered as temporary in nature at March 31, 2015.

**Rupees in million**

Description of securities	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Corporate debt securities	16,761.7	(555.8 )	6,625.9	(104.6 )	23,387.6	(660.4 )
Government securities	30,122.8	(121.8 )	235,586.4	(4,325.7 )	265,709.2	(4,447.5 )
Other debt securities	20,722.2	(356.3 )	12,910.1	(2,167.8 )	33,632.3	(2,524.1 )
Total debt securities	67,606.7	(1,033.9 )	255,122.4	(6,598.1 )	322,729.1	(7,632.0 )
Equity securities	2,402.1	(284.5 )	119.9	(63.3 )	2,522.0	(347.8 )
Total	70,008.8	(1,318.4 )	255,242.3	(6,661.4 )	325,251.1	(7,979.8 )

The following table sets forth, the total other than temporary impairment recognized on debt securities during the year ended March 31, 2016.

**Rupees in million**

Description of securities	Other than temporary impairment losses related to securities that the group does not intend to sell nor will likely be required to sell			Losses recognized in earnings for securities that the group intends to sell or more likely than not will be required to sell	Total losses recognized in earnings
	Total other than temporary impairment losses recognized during the year	Portion of other than temporary impairment losses recognized in OCI (before taxes)	Net other than temporary impairment losses recognized in earnings		
	1,333.8	..	1,333.8	694.2	2,028.0



Corporate debt securities					
Government securities	..	..	..	108.7	108.7
Other debt securities	2,183.8	..	2,183.8	5.5	2,189.3
Total	3,517.6	..	3,517.6	808.4	4,326.0

The following table sets forth, the total other than temporary impairment recognized on debt securities during the year ended March 31, 2015.

### Rupees in million

Description of securities	Other than temporary impairment losses related to securities that the group does not intend to sell nor will likely be required to sell			Losses recognized in earnings for securities that the group intends to sell or more likely than not will be required to sell	Total losses recognized in earnings
	Total other than temporary impairment losses recognized during the year	Portion of other than temporary impairment losses recognized in OCI (before taxes)	Net other than temporary impairment losses recognized in earnings		
Corporate debt securities	717.2	..	717.2	226.0	943.2
Government securities	..	..	..	149.1	149.1
Other debt securities.	219.2	..	219.2	4.2	223.4
Total	936.4	..	936.4	379.3	1,315.7

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

The following table sets forth, a 12 month roll forward of cumulative other than temporary impairment credit loss recognized in earnings for AFS debt securities held at March 31, 2016.

**Rupees in million**

	<b>Balance at March 31, 2015</b>	<b>Credit impairments in earnings on securities not previously impaired</b>	<b>Credit impairments recognized in earnings on securities that have been previously impaired</b>	<b>Reduction due to sales or maturity of credit impaired securities</b>	<b>Reduction of credit losses earlier recognized in earnings which the group intends to sell</b>	<b>Balance at March 31, 2016</b>
Corporate debt securities	2,729.1	757.1	576.7	163.2	..	3,899.7
Other debt securities	3,499.8	958.5	1,225.3	94.9	..	5,588.7
<b>Total</b>	<b>6,228.9</b>	<b>1,715.6</b>	<b>1,802.0</b>	<b>258.1</b>	<b>..</b>	<b>9,488.4</b>

The following table sets forth, a 12 month roll forward of cumulative other than temporary impairment credit loss recognized in earnings for AFS debt securities held at March 31, 2015.

**Rupees in million**

<b>Balance at March 31, 2014</b>	<b>Credit impairments in earnings on securities not previously impaired</b>	<b>Credit impairments recognized in earnings on securities that have been previously impaired</b>	<b>Reduction due to sales or maturity of credit impaired securities</b>	<b>Reduction of credit losses earlier recognized in earnings which the group intends to</b>	<b>Balance at March 31, 2015</b>
----------------------------------	---	---	---	---	----------------------------------

					sell	
Corporate debt securities	2,352.5	706.9	10.3	340.6	..	2,729.1
Other debt securities	3,492.9	..	219.3	212.4	..	3,499.8
<b>Total</b>	5,845.4	706.9	229.6	553.0	..	6,228.9

The reasons for not classifying certain investments in debt and equity securities with unrealized losses as other than temporarily impaired are as follows.

For the debt securities, the Group has assessed that the securities in an unrealized loss position have not been identified for sale and it is not more likely than not that the Group will be required to sell the securities before recovery of its amortized cost basis less any current period credit loss.

The diminution in the value of marketable equity securities and other securities is not considered as other than temporarily impaired at March 31, 2016 after considering the factors like projects under implementation, strategic nature of investments and the entity's proposed capacity expansion for improving the marketability of the product, increasing sale trend, cash flows. Based on the evaluation and the company's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Group does not consider these to be other than temporarily impaired at March 31, 2016.

The Group also holds certain debt investments with other than temporary impairment, which have not been identified for sale and it is not more likely than not that the Group will be required to sell the securities before an anticipated recovery in value other than credit losses, where the amount representing the credit losses has been recognized in earnings and the amount of loss related to other factors has been recognized in other comprehensive income. The credit losses have been determined based on the difference of present value of expected future cash flows of the securities and the amortized cost basis of such securities. The Group bases its estimates of future cash flows on evaluation of the issuer's overall financial condition, resources and payment record and the realizable value of any collateral, third party guarantees or other credit enhancements.

ICICI Bank Limited and subsidiaries

**Schedules forming part of the Consolidated Financial Statements**

At March 31, 2016, the Group holds cost method investments amounting Rs. 78,203.2 million. The fair value for such securities has not been estimated in the absence of changes in circumstances that have a significant adverse effect on the fair value of the investments.

**l) Comprehensive income**

The following table sets forth, for the periods indicated, details of comprehensive income.

**Rupees in million**

	Year ended March 31,		
	2016	2015	2014
Net income/(loss) (net of tax) excluding non-controlling interest	73,037.1	116,912.7	101,421.0
Other Comprehensive Income:			
Net unrealized gain/(loss) on securities, net of realization & others (net of tax) <sup>1</sup>	(4,670.4 )	40,849.6	(20,746.8 )
Translation adjustments <sup>2</sup>	3,347.5	4,837.4	8,964.7
Employee accounting for deferred benefit pensions and other post retirement benefits (net of tax) <sup>3</sup>	(525.1 )	(1,408.3 )	(491.7 )
Comprehensive income attributable to ICICI Bank stockholders	71,189.1	161,191.4	89,147.2
Comprehensive income attributable to non-controlling interests	1,608.0	1,249.1	898.0
Total comprehensive income	72,797.1	162,440.5	90,045.2

<sup>1</sup> Net of tax effect of Rs. 4,129.6 million, Rs. (19,448.2) million and Rs. 11,048.2 million for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 respectively.

<sup>2</sup> Net of tax effect of Rs. (3,317.6) million, Rs. (157.7) million and Rs. (2,292.1) million for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 respectively.

<sup>3</sup> Net of tax effect of Rs. 352.7 million, Rs. 725.2 million and Rs. 368.3 million for the year ended March 31, 2016, March 31, 2015 and March 31, 2014 respectively.

**m) Guarantees**

As a part of its project-financing and commercial banking activities, the Group has issued guarantees to enhance the credit standing of its customers. These generally represent irrevocable assurances that the Group will make payments in the event that the customer fails to fulfill its financial or performance obligations. Financial guarantees are obligations to pay a third party beneficiary where a customer fails to make payment towards a specified financial obligation. Performance guarantees are obligations to pay a third party beneficiary where a customer fails to perform a non-financial contractual obligation. The guarantees are generally for a period not exceeding 10 years.

The credit risks associated with these products, as well as the operating risks, are similar to those relating to other types of financial instruments. The current carrying amount of the liability for the Group's obligations under the guarantees at March 31, 2016 amounted to Rs. 6,920.7 million (March 31, 2015: Rs. 7,289.2 million).

F-138

ICICI Bank Limited and subsidiaries

### Schedules forming part of the Consolidated Financial Statements

The following table sets forth, the details of guarantees outstanding at March 31, 2016.

#### Rupees in million

Nature of guarantee	Maximum potential amount of future payments under guarantee				
	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years	Total
Financial guarantees	288,690.4	100,371.5	52,743.5	19,162.9	460,968.3
Performance guarantees	354,469.8	194,121.8	66,511.4	15,680.8	630,783.8
Total guarantees	643,160.2	294,493.3	119,254.9	34,843.7	1,091,752.1

The Group has collateral available to reimburse potential losses on its guarantees. At March 31, 2016, margins in the form of cash and fixed deposit available to the Group to reimburse losses realized under guarantees amounted to Rs. 78,749.5 million (March 31, 2015: Rs. 68,469.2 million). Other property or security may also be available to the Group to cover losses under these guarantees.

#### Performance risk

For each corporate borrower, a credit rating is assigned at the time the exposure is being evaluated for approval and the rating is reviewed periodically thereafter. At the time of assigning a credit rating, the possibility of non-performance or non-payment is evaluated. Additionally, an assessment of the borrower's capacity to repay obligations in the event of invocation is also evaluated. Thus, a comprehensive risk assessment is undertaken at the time of sanctioning such exposures.

#### 22. Regulatory matters

*Statutory liquidity requirement*

In accordance with the Banking Regulation Act, 1949, the Bank is required to maintain a specified percentage of its net demand and time liabilities by way of liquid unencumbered assets like cash, gold and approved securities. The amount of securities required to be maintained at March 31, 2016 was Rs. 941,936.6 million (March 31, 2015: Rs. 817,203.7 million), and the Bank complied with the requirement throughout the year.

*Capital Adequacy*

The Bank was subject to Basel II capital adequacy guidelines stipulated by the Reserve Bank of India till March 31, 2013.

During fiscal 2013, the Reserve Bank of India issued final Basel III guidelines, applicable with effect from April 1, 2013 in a phased manner through till March 31, 2019. At March 31, 2016, the Bank is required to maintain minimum Common Equity Tier-1 capital ratio of 6.13%, minimum Tier-1 capital ratio of 7.63% and minimum total capital ratio of 9.63%. The minimum total capital requirement includes capital conservation buffer of 0.63%. Under Pillar 1 of RBI guidelines on Basel III, the Bank follows the standardised approach for measurement of credit risk, standardised duration method for measurement of market risk and basic indicator approach for measurement of operational risk.





