

# **ICICI BANK UK PLC**

**Strategic report, Directors' report and  
financial statements**

**March 31, 2016**

**Registered number 4663024**



## Contents

Strategic Report	2
Directors' report	12
Statement of Directors' responsibilities	14
Report of the independent auditor to the members of ICICI Bank UK Plc	15
Profit and loss account	16
Statement of other comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Notes	21

## Strategic report

The Directors present their strategic report for the year ended March 31, 2016 (FY2016) for ICICI Bank UK PLC ("the Bank").

### Nature of Business

ICICI Bank UK PLC offers retail, corporate banking and treasury services. The Bank is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). The Bank is a wholly owned subsidiary of ICICI Bank Limited ("the Parent Bank") which is India's largest private sector bank. The key business areas include retail banking, corporate banking, commercial banking and treasury.

The Bank was incorporated in England and Wales as a private company with limited liability on February 11, 2003 and was converted to a public limited company, assuming the name ICICI Bank UK PLC, on October 30, 2006. As a public limited company, the Bank is able to access the capital markets.

The Bank has a senior debt rating of A3 from Moody's Investors Service Limited (Moody's).

### Business Review

The Bank delivers its corporate, commercial and retail banking products and services through eight branches located in the UK and two branches in mainland Europe, located in Antwerp (Belgium) and Eschborn (Germany) as well as through online banking.

The business strategy of the Bank has mainly been driven by the increased globalisation of the Indian economy, the growing trend of Indian corporates expanding overseas, the large population of non-resident Indians and persons of Indian origin across the globe, overseas companies looking to invest in India and borrowing needs of local and overseas companies.

The Bank's corporate business includes banking services for Indian corporations seeking to develop their overall business, including in the UK and Europe, for Europe based multinational corporations which have active trade and investment flows with India, for large businesses owned by persons of Indian origin and for select companies primarily in the UK, EU and North American regions.

The Bank provides retail banking services to UK consumers with a varied product suite including retail and business current and savings accounts, online banking, debit cards, money transfers, travel solutions and property backed SME (Small and Medium Enterprises) lending. Additionally, the Bank offers interest based savings accounts and fixed rate term accounts to UK and German consumers which are supported over internet and phone enabled channels.

The Bank's overall strategy in the past few years has centred on a "diversification" theme. During the course of FY2016, the Bank remained focused on its key strategic objectives of diversification of the business profile, expanding non-interest income streams, continuing proactive risk management, effective liquidity and capital management and meeting the requirements of the changing regulatory environment. The Bank's focus is on building a sustainable business model with a strong corporate governance and control environment.

The Bank has been managed as a single business. For the purposes of the business review, however, management has described activity within the individual business segments. The financial information in the following sections have been presented in US\$ with additional disclosure in Indian Rupee (INR) currency for convenience using the year end exchange rate of USD/INR 66.255 which has been applied across both FY2016 and FY2015.<sup>1</sup>

### Key strategic highlights: FY2016

During FY2016, the Bank's strategy continued to evolve so that it is effectively positioned to address the challenges arising from a subdued economic environment and a changing regulatory landscape. The Bank has established a Board approved risk appetite for all critical risks, including credit, market, operational and conduct risks. The business continued to operate within the defined risk appetite, with close monitoring by management and the Board Risk

<sup>1</sup>The numbers in INR are proforma only and should not be regarded as being in compliance with UK GAAP.

## Strategic report (continued)

Committee. The Bank further diversified its corporate portfolio through enhanced participation in the syndicated loan market. The Bank is well capitalized and is in compliance with the fully-phased in Capital requirements under the new CRD IV capital standards.

Further, the Bank continued to focus on effective liquidity and capital management with a focus on maintaining strong corporate governance and control environment. During the year, the Bank complied with the new regulatory reporting requirements related to liquidity and effectively stabilized its common reporting regime COREP platform for PRA reporting.

Total assets increased by 11% in FY2016 to USD 4,603 million (INR 304,989 million), primarily driven by growth in investments, cash & cash equivalent balances and loans and advances to banks and customers. As at March 2016, the Bank had adequate surplus of liquidity compared with regulatory requirements.

During the year, the Bank achieved reasonable growth in its local and overseas client base by extending loans to selective UK, EU and North America based corporates and leveraged its relationships by expanding its portfolio of supply chain financing as well as bill discounting. The focus was maintained on balancing geographical and sectoral concentration as well as further diversification of the loan portfolio. The loans and advances to banks and customers increased by 6%. During the year, the Bank successfully grew its corporate disbursements and demonstrated robust churning of the corporate portfolio.

On the funding side, the Bank continued to focus on rebalancing its funding sources and successfully diversified and broadened its funding profile and reduced the cost of funds by leveraging the retail and wholesale funding channels by raising bonds under its Medium Term Note (MTN) program and institutional deposits. During the year, the Bank accessed funding opportunities available in the wholesale markets at competitive pricing which helped in an overall reduction in the cost of funds.

The corporate and commercial banking fee income and retail remittance income streams continued to be the key sources of the non interest income. The non interest income decreased during the year mainly due to lower treasury gains and corporate banking fees. The Bank continued to remain focused on enhancing operating efficiencies without compromising the control environment. The operating expenses base decreased compared to the previous year mainly due to rationalization initiatives and lower bonus accruals. The Bank remains committed to maintaining a strong control framework to meet increasing regulatory and reporting obligations and continued to invest in people and technology to further strengthen the control framework.

Profit Before Tax (PBT) at USD 6.0 million (INR 398 million) decreased by 74% as compared with the previous year. The reduction in profitability was primarily caused by a decrease in operating income by 16% and an increase in specific provisions by 15%, which was partially offset by a 12% reduction in operating expenses as compared with the previous year. (Detailed financial highlights provided in the section "key financial highlights").

The Bank reviews its Risk Appetite Framework regularly to take into account inter alia changes to the operating environment, portfolio composition, experience with stressed assets and regulatory changes. The Bank's risk management group monitors adherence to the risk appetite and reports to the Board Risk Committee (BRC) on a quarterly basis. The Bank's Credit Forum, which meets monthly, also tracks risk concentrations, developments in the portfolio and industry trends, through a range of early warning indicators, to identify vulnerabilities and take timely actions including, where appropriate, making revisions to the Risk Appetite and Risk Management Framework.

The Bank continued to place considerable attention on the management of conduct risk, with conduct risk related matters reported regularly to the Board Conduct Risk Committee ("BCRC") and the Compliance, Conduct and Operational Risk management Committee ("CORMAC"). The Bank maintained its focus on sustaining its customer-centric culture and invested in various technology initiatives to enhance customer experience. These include launch of a mobile app for remittances and enhancing the business banking product suite including an on-line FX platform. Close management of complaints ensured that all complaints were closed well within the regulatory stipulated timeframes.

The capital and liquidity position remained healthy throughout FY2016. The Bank's approach to managing capital and

## Strategic report (continued)

liquidity is designed to ensure that current and expected regulatory capital and liquidity requirements are met. The Bank complied with and maintained Liquid Assets Buffer (LAB) balances in line with the Individual Liquidity Guidance (ILG) until September 30, 2015 and the Bank continues to comply with and maintains the High Quality Liquid Assets in line with the new liquidity guidelines effective October 1, 2015. During June 2015, the PRA issued a new policy statement on Capital Requirements Directive (CRD) IV Liquidity (PS 11/15). Effective October 1, 2015, the PRA revoked the requirement of standardised stress testing and mandated to maintain liquidity as per the new directive (Liquidity Coverage Ratio).

During the year, the PRA issued final guidelines on assessment of capital adequacy under Pillar II. Under the final guidelines, the total capital adequacy requirement for the Bank equals the aggregate of the Pillar 1 capital requirement, the Pillar 2A capital requirement (derived from the existing Internal Capital Guidance), macro-prudential buffers if applicable (such as the Countercyclical Capital Buffer), the Capital Conservation Buffer (CCoB) and the 'PRA buffer'. During the year, the Bank continued to comply with the CRD IV liquidity and capital reporting requirements and has met the other requirements of the directive.

### Corporate and Commercial Banking

The Corporate Banking division continued to grow selectively the loan portfolio targeting client segments and offering products which are core to the Bank's competencies and strategy, its clients' needs and in line with the risk appetite. The total loan & advances grew by 6% to USD 3,246 million (INR 215,064 million) compared with USD 3,063 million (INR 202,939 million) in the previous year. In the course of the year, the Bank registered portfolio growth emanating from the syndicated loan market and secondary market deals within the risk framework of the Bank. The corporate banking unit concluded a significant number of disbursements during the year and demonstrated an ability to churn the loan book to rebalance the portfolio. Through its established commercial banking desk, the Bank expanded business volumes in trade finance and bill discounting facilities. During the year, the Bank successfully churned its trade finance portfolio. As a strategic component of the Bank's commitment towards its business in the UK market, the Bank successfully implemented the risk framework for corporate lending secured against property.

During 2016, India's economic resilience was tested by an unfavourable global environment and a slow investment recovery. Although, the government has taken policy measures, the economic recovery has been uneven. As the pick-up in the investment cycle is yet to gain strength, the Bank registered a slowdown in corporate deals from Indian corporations resulting in a decrease in the India corporate loan portfolio.

The Bank maintained its Germany's branch portfolio by leveraging on the local market as well as Europe-India business opportunities. As part of its strategy, the Bank continues to diversify its asset base and improve its asset quality within its risk appetite.

### Retail Banking

In line with the strategy of diversification of funding sources, the retail liabilities channel remained one of the key funding sources for the Bank. The focus on rebalancing the retail and wholesale funding mix continued during the year in alignment with the Bank's funding strategy. During FY2016, the Bank launched HiSave supersaver series called 'HiSave Super saver Issue One' and raised incremental online saving deposits. The significant inflow of these deposits demonstrated resilience of the Bank's brand and franchise. The balanced mix of retail and wholesale funding helped in the continued reduction of cost of funds. The Bank demonstrated reasonable progress on building the Business Banking Loan Against Property (LAP) portfolio during the year.

The Bank made progress in expanding its Business banking clientele offering foreign exchange and international trade payments. With regard to UK & Europe remittances to India, the income remained flat as compared to the previous year. Despite new market entrants and significant increase in competition in the remittance market, the Bank increased salary accounts acquisition and launched innovative & market leading solutions such as a mobile app for its remittance product in the UK. During FY2016, the Bank began offering a payment platform to serve the online international payment needs of its business banking customers. During the year, the Bank was nominated for the Consumer

## Strategic report (continued)

Moneyfacts Award for Best Online Savings provider in 2015.

The Bank remains focused on strengthening its service delivery platform to ensure an enhanced customer experience and improved customer outcomes therefore managing the overall conduct risk for the Bank.

### Treasury

The Treasury Group manages the structure of the balance sheet of the Bank, supporting the capital needs and managing the market and liquidity risk of the Bank. The Bank complied with and maintained Liquid Assets Buffer (LAB) balances in line with the Individual Liquidity Guidance (ILG) until September 30, 2015 and the Bank continues to comply with and maintains the High Quality Liquid Assets in line with new guidelines effective October 1, 2015. The Bank reviews the asset/liability maturity mismatches and interest rate positions, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Management Committee (ALCO) of the Bank. In line with the strategy of diversification of funding sources and to minimize the cost of funds, the Bank continues to focus on exploring alternative funding sources. The Bank has leveraged opportunities in the wholesale market by raising bilateral loans and bonds under the MTN program at competitive cost.

The investment portfolio of the Bank is also managed by the Treasury Group. The treasury activities are carried out through the Balance Sheet Management Group, Investment desk and Global Markets Group. During the year, the investment desk invested in Indian bank bonds in line with the risk appetite of the Bank.

### Financial Highlights

The financial performance for the financial year 2016 is summarised in the following table

Profit and loss account	Financial 2016	Financial 2015	% Change	Financial 2016	Financial 2015
	USD 000s	USD 000s		INR million	INR million
Net interest income	71,488	64,652	11%	4,736	4,284
Non interest income	16,149	39,975	-60%	1,070	2,648
<b>Total operating income</b>	<b>87,637</b>	104,627	-16%	<b>5,806</b>	6,932
Operating expenses	(34,168)	(38,673)	-12%	(2,264)	(2,563)
<b>Profit before provisions, charges and taxes</b>	<b>53,469</b>	65,954	-19%	<b>3,542</b>	4,369
Impairment provision and charges	(59,442)	(51,483)	15%	(3,938)	(3,411)
Profit/(Loss) on sale of financial assets	11,984	8,299	44%	794	551
<b>Profit before tax</b>	<b>6,011</b>	22,770	-74%	<b>398</b>	1,509
<b>Provisions for tax</b>	<b>(5,468)</b>	(4,441)	23%	<b>(362)</b>	(295)
<b>Profit after tax</b>	<b>543</b>	18,329	-97%	<b>36</b>	1,214

**Strategic report (continued)**
**Balance Sheet**

Balance sheet	Financial 2016	Financial 2015	% Change	Financial 2016	Financial 2015
	USD 000s	USD 000s		INR million	INR million
Balances at central banks	500,136	449,154	11%	33,137	29,759
Loans and advances to banks	283,149	184,146	54%	18,760	12,201
Loans and advances to customers	2,962,535	2,878,811	3%	196,283	190,736
Investments	743,413	497,930	49%	49,255	32,990
<b>Total assets</b>	<b>4,603,257</b>	<b>4,129,806</b>	<b>11%</b>	<b>304,989</b>	<b>273,620</b>
Customer accounts	2,466,866	2,284,686	8%	163,442	151,372
Shareholders' funds	545,527	545,428	0%	36,144	36,137

**Capital<sup>2</sup>**

Ratios	Under CRDIV March 31, 2016	Under CRDIV March 31, 2015	Decrease
Core Tier 1 ratio	13.1%	14.6%	1.5%
Tier 1 ratio	13.1%	14.6%	1.5%
Total ratio	16.7%	19.2%	2.5%

Risk weighted assets	Financial 2016	Financial 2015	% Change	Financial 2016	Financial 2015
	USD 000s	USD 000s		INR million	INR million
<b>Risk weighted assets</b>	<b>4,093,797</b>	<b>3,684,914</b>	<b>11%</b>	<b>271,235</b>	<b>244,144</b>

<sup>2</sup>Pillar 3 disclosures are available online on the Bank's website: [http://icicibank.co.uk/personal/basel\\_disclosures.html](http://icicibank.co.uk/personal/basel_disclosures.html)

**Key Financial highlights: FY2016**

As at March 31, 2016, the Bank had total assets of USD 4,603 million (INR 304,989 million) compared with USD 4,130 million (INR 273,620 million) as at March 31, 2015. The balance sheet increased by 11% primarily driven by an increase in investment portfolio, cash and cash equivalent balances and loans and advances. During the course of the year, the Bank had adequate liquidity surplus versus the regulatory requirements. The loans and advances to banks and customers increased by 6% mainly driven by growth in the corporate loan portfolio through participation in the syndicated loan market and secondary market deals. The loans to banks increased due to an increase in bill discounting facilities. During the year, the Bank remained focused on improving the rating profile of its corporate asset portfolio and remained within the key portfolio limits as prescribed in the risk appetite of the Bank.

Profit Before Tax (PBT) in FY2016 was USD 6.0 million (INR 398 million) compared with USD 22.8 million (INR 1,509 million) in the previous year mainly due to lower operating income, higher provisions, partially offset with reduction in operating expenses. Profit After Tax (PAT) at USD 0.54 million (INR 36 million) decreased as compared with the previous year by 97% mainly due to significantly higher tax expense in FY2016 as explained in the following sections.

## Strategic report (continued)

The operating income decreased by 16% compared with last year primarily due to a reduction in non interest income by 60% partially offset with 11% growth in net interest income.

The net interest income (NII) grew by 11% as compared with the previous year. Net Interest Margin (NIM) for FY2016 at 1.66% registered a healthy growth as compared to the previous year at 1.50%, mainly driven by lower cost of funds. The cost of funds reduced due to rebalancing of retail and wholesale deposits mix and further diversification of funding sources. The Bank accessed the available opportunities in the wholesale markets and raised funding at a competitive cost through bilateral loans and bonds. The Bank also raised retail deposits through re-launch of its Hisave Super Saver product.

The non interest income decreased during the year by 60% primarily due to reduction in Treasury income. The Bank made significant gains on sale of financial assets (investments and FCCBs) in the previous year driven by favourable market conditions. Such opportunities were not prevalent during FY2016. The corporate banking fees reduced during the year primarily due to opportunities of cross selling structuring and arrangement services to clients being limited. Retail fees remained flat as compared to the previous year.

Operating expenses at USD 34.2 million (INR 2,264 million) reduced by 12% compared to the previous year. The reduction in operating expenses was mainly due to lower bonus accruals and various premises rationalisation & vendor negotiation initiatives. The cost to income ratio<sup>3</sup> remained consistent with previous year at 34% in FY2016.

The provisions made during the year were USD 59.4 million (INR 3,938 million) compared to USD 51.5 million (INR 3,411 million) in the previous year. The specific provisions on corporate loans at USD 51.6 million (INR 3,416 million) for FY2016 increased compared to USD 36.8 million (INR 2,438 million) for FY2015. The Bank made additional provisions primarily due to slow recovery in business performance of the borrowers and in some cases deterioration in the value of collateral.

The decline in business performance of the borrowers was mainly caused by industry specific issues and the slower recovery of the investment cycle in India. USD 5.9 million (INR 392 million) of specific provisions were made on investments as compared to previous year of USD 13.5 million (INR 897 million) mainly due to further deterioration of equity prices for some equity investments. The impaired assets coverage ratio increased to 48% compared to 43% in the previous year. The Bank reviews its risk appetite and risk management framework to incorporate the learnings from its experiences. Following the growth in the loan book, the collective provisions at USD 11.6 (INR 766 million) increased during the current year by USD 2.0 million (INR 130 million).

Provision for tax at USD 5.5 million was 23% higher as compared with the previous year despite a decrease in the PBT of 74%. The effective tax rate increased to 91.0%, compared with 19.5% in the previous year. The Bank's branch in Germany booked PBT of USD 17.2 million against which USD 5.1 million of tax provision was booked. PBT at UK consolidated level is taxed at the UK corporate tax rate of 20% which is the maximum that could be claimed as the Double tax relief under Sections 36 and 42 TIOPA 2010. As the UK (other than Germany) loss of USD 11.1 million was fully utilized during the financial year against the Germany branch profits, this loss could not be carried forward to future periods. As such, a deferred tax asset could not be recognised on this amount resulting in an increase of effective tax rate for FY2016. Previous year tax included a one off credit due to recycling of tax credit of USD 2.8 million (INR 184 million) from AFS reserve to tax account within P&L during the period.

The total capital adequacy continues to be strong at 16.7% with Tier 1 ratio of 13.1%. The Bank is in compliance with the CRDIV regulatory requirements. The Bank continues to comply with and maintains balances in High Quality Liquid Assets in line with the LCR regime. The Bank manages the capital and liquidity to ensure that current and expected regulatory capital and liquidity requirements are met.

## **4Key economic and business outlook**

As per the Interim Economic Outlook February 2016 publication, published by OECD, global growth in 2015 was at 3 percent and is likely to expand at the same rate in 2016. The OECD projects that the global economy will grow by 3

<sup>3</sup>Cost to income is calculated based on income including profit on sale of financial assets

<sup>4</sup>Interim Economic Outlook February 2016 published by OECD



## Strategic report (continued)

percent in 2016 and 3.3 percent in 2017, which is well below long run averages of around 3.75 percent. Financial instability risks are substantial, as demonstrated by recent falls in equity and bond prices worldwide, and increasing vulnerability of some emerging economies to volatile capital flows and the effects of high domestic debt. Trade and investments are weak while sluggish demand is leading to low inflation and inadequate wage and employment growth.

The UK economy is projected to grow at 2.1 percent in 2016 and 2 percent in 2017. As per the publication, the recovery in the advanced economies is being set to remain modest. In the Euro area, GDP growth is expected to pick up only slowly with investment remaining weak and unemployment remaining high. The positive effect of lower oil prices on activity has been less than expected, while very low interest rates and a weaker Euro have yet to lead to sustained stronger investment. The Euro area is projected to grow at 1.4 percent in 2016 and 1.7 percent in 2017.

In the United States, the domestic private-sector led recovery continues to have momentum, with ongoing gains in employment bolstering household demand. With export markets on course for sluggish growth, business investment remaining mediocre, and few signs of upward pressure on real wages, there is little sign that other sources of demand will reinforce GDP growth as employment gains normalise. It is projected that the US economy will grow by 2 percent this year and by 2.2 percent in 2017.

Growth in key emerging economies continues to be slow, following the pattern of recent years. With China expected to continue rebalancing its economy from manufacturing to services, this will have substantial implications for global commodity prices and trade. Managing the rebalancing process together with financial risks will prove challenging. Growth in China is forecasted at 6.5 percent in 2016 and 6.2 percent in 2017. Growth in India is projected to remain robust, although floods have had a negative impact in the short term and further progress is needed in implementing structural reforms to ensure positive developments are sustained. India will continue to grow robustly, by 7.4 percent in 2016 and 7.3 percent in 2017.

In consideration of the economic environment, the Bank will continue on its journey of diversifying its asset and liability portfolios and building a sustainable business model. The efforts to enhance the non-interest revenue streams will continue along with improving operating efficiencies and efficient capital and liquidity management. The Bank will continue to monitor the global economic environment as well as the economic situation and developments in India and Europe and strive to tap the market opportunities in line with its risk management framework and risk appetite.

### Key risks

The Bank's business is subject to inherent risks relating to borrower credit quality as well as general global economic and India conditions. The Bank's funding is composed of medium to long term deposits, term borrowings and a proportion of short term savings balances. If depositors and/or lenders do not roll over invested funds upon maturity, the Bank's business could be adversely affected. Unfavourable wholesale market conditions could have an adverse impact on meeting the funding requirements of the Bank. The security of the Bank's information and technology infrastructure is a key focus area for maintaining banking applications and processes. Cyber-attacks disrupt the availability of customer facing websites and could compromise the Bank's customer data and information.

The impact of Brexit on the UK financial market and regulatory landscape is being discussed by all stakeholders within the financial services industry but the magnitude depends on the specific Brexit model and it would be difficult to predict at present. The Bank is closely monitoring the developments of the upcoming Brexit referendum and its impact on the Bank's operations including on its branches in Europe.

Strong controls around measurement of risks through effective risk management of the Bank helps in mitigating such risks. The Bank will continue to work within the risk framework as set out by the Board. The increased supervisory and compliance environment in the financial sector leads to increased risks of regulatory action. The Bank's continued focus on ensuring compliance with all regulatory requirements mitigates the risk of regulatory action. The Bank makes

## Strategic report (continued)

sufficient investments in addressing the risks through infrastructure development, regular trainings to enhance awareness of employees, and increased monitoring and management of these risks and mitigates. The Bank's Directors and Management review the risk appetite on a regular basis and continue to make any relevant changes to ensure regulatory compliance. The detail around the Bank's risks and management is given in Note 39.

## Corporate Governance and Risk Management

### Corporate Governance

The Bank's corporate governance framework is based on an effective independent Board, the separation of the Board's supervisory role from the executive management of the Bank and the constitution of Board Committees to oversee critical areas and functions of executive management. The Board is committed to maintaining high standards of corporate governance. The Bank remained focused on maintaining a strong governance and controls structure. The Bank has a total number of seven Non-Executive Directors on the Board, three of whom are representatives of the Bank's Parent, ICICI Bank Limited, and four are independent.

The Bank operates three lines of defence model including independent control groups such as Compliance, Risk, Internal Audit, Finance and Legal to facilitate independent evaluation, monitoring and reporting of various risks. These support groups function independently of the business groups and are represented at the various Committees.

Effective corporate governance and compliance is a prerequisite to achieving the Bank's strategic objectives. The Bank has maintained its focus on controls, governance, compliance and risk management to provide a sound foundation for the business and it continues to ensure embedding of a controls and compliance culture throughout the organization. This is achieved through appropriate training, maintaining adequate resources within the control groups commensurate with the Bank's operations, continuous strengthening of internal systems and processes and effective deployment of technology. Information technology is used as a strategic tool for the Bank's business operations, to gain a competitive advantage and to improve its overall productivity and efficiency.

The Bank's conduct risk philosophy is to look to develop and maintain long term relationships with its customers, based on openness, trust and fairness. It expects that the behaviour and motivation of every employee must be about good conduct and adherence to established controls to deliver fair and appropriate outcomes to our customers. The conduct risk philosophy builds on the work undertaken by the Bank on its Treating Customers Fairly (TCF) commitments. The Bank evaluates the impact of the changing regulatory requirements on an ongoing basis and is fully committed to establishing controls to deliver fair and appropriate outcomes for its customers.

The Bank has continued to operate within its defined conduct risk appetite. Performance against the appetite and other conduct risk related matters are reviewed and monitored by the Bank's Board Conduct Risk Committee ("BCRC") and the Compliance, Conduct and Operational Risk Management Committee ("CORMAC"). Both Committees usually meet on a monthly basis and receive regular updates from both business and Compliance.

The Bank is committed to invest in Information Security which is essential to ensure the long term viability of the organisation and its data. The Bank has implemented a pragmatic and integrated approach to security and made significant progress in enhancing its Information Security governance through holding the Information Security forum periodically, regular presentation to the Board Risk Committee on cyber threats and ICICI Measures. During the year, the Bank was awarded the "Cyber Essentials" certificate and badge which demonstrated that the Bank's Information Security processes and procedures meet the UK market standards.

Senior Managers Regime: During 2015, the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") finalised the requirements for a new regulatory regime for individuals, with the aim of strengthening

## Strategic report (continued)

individual accountability in the financial services industry. The new regime, which came into effect on March 7, 2016 comprises of three elements: the Senior Managers' Regime; the Certification Regime; and a new set of Conduct Rules. Specifically, the regime requires firms to:

1. Allocate a range of responsibilities to Senior Managers (including Non-Executive Directors) and to regularly vet their fitness and propriety. This will focus accountability on a narrower number of senior individuals in banks than the previous Approved Persons Regime.
2. Assess the fitness and propriety of certain employees (certification employees) who could pose a risk of significant harm to the bank or any of its customers and issue them with certificates on an annual basis.
3. Apply a new set of Conduct rules to a broad range of staff, including the Senior Managers and the Certification staff.

The Bank has implemented the requirements of the new regime and made the required notifications to the regulators.

## Risk Management

The Bank has a centralised Risk Management Group with a mandate to identify, assess and monitor all its principal risks in accordance with defined policies and procedures. The Risk Management Group is independent of the business units and the Head of Risk reports directly to the Managing Director and Chief Executive Officer, and also has reporting lines to the Risk Management Group of the Parent Bank and the Chairman of the Board Risk Committee.

The Bank has developed a risk appetite framework articulated within the broader context of the nature, scope, scale and complexity of the Bank's activities. The anchors on which the framework has been based include quantitative parameters such as capital, liquidity and earnings volatility as well as qualitative parameters such as conduct and reputational risk. The risk appetite statement has been further drilled down into portfolio-level limits, which include limits on country of risk and credit ratings of loans. The risk appetite framework and related limits are approved by the Board of Directors. The Risk Management Group of the Bank monitors adherence to the risk appetite framework and reports on it to the Board Risk Committee on a quarterly basis. The Bank's future business strategy takes cognizance of the risk appetite framework, so that the Bank will continue to operate within its risk appetite limits.

The Bank operates within a comprehensive risk management framework, covering all relevant risks in order to ensure that the key risks facing the Bank are clearly identified, understood, measured and monitored and that the policies and procedures established to address and control these risks are strictly adhered to. The outcomes of each of these risk management processes have been used to identify the material risks that the Bank is exposed to. The Bank is primarily exposed to credit risk, market risk (predominantly interest and exchange rate risk), liquidity risk and operational risk (including compliance, conduct and reputational risk). The Bank's largest regulatory capital requirements arise from credit risk in its lending operations.

The Bank maintains detailed Recovery and Resolution Plans (RRP). It also maintains a Liquidity Contingency Plan (LCP), which forms an integral part of the RRP. The plans include a range of recovery and liquidity indicators which allow the Bank to take preventative measures to forestall a severe stress. They also include a communication plan, which would be followed in the event of a crisis and a contingency funding plan, which sets out the corrective measures to be invoked when there is a potential or actual risk to the Bank's liquidity position.

## Liquidity Regulation

The Liquidity Coverage Ratio (LCR) is intended to ensure that a bank maintains an adequate level of unencumbered, high quality liquid assets which can be used to offset the net stressed outflows the bank could encounter under a combined stress scenario lasting 30 days. The LCR was implemented in the UK on October 1, 2015 and the minimum

### Strategic report (continued)

requirement under the CRD IV transitional arrangements is 80%. The Bank implemented all relevant requirements relating to LCR prior to October 1, 2015 and as at March 31, 2016 its LCR ratio was significantly higher than the regulatory requirement.

In October 2014, the Basel Committee published its final standard for the Net Stable Funding Ratio (NSFR) which will take effect on 1 January 2018. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. Banks are expected to hold a NSFR of at least 100% on an on-going basis and report its NSFR at least quarterly. Ahead of its planned implementation on 1 January 2018, the NSFR will remain subject to an observation period. During FY2016, the Bank contributed to the Basel quantitative impact study through quarterly submissions and maintained its NSFR above the expected ratio.

Details of the Bank's governance arrangements, financial risk management objectives and policies, including those in respect of financial instruments, and details of the Bank's indicative exposure to risks are given in Note 39.

By order of the Board

**Sudhir Dole**

Managing Director & Chief Executive Officer

**Aarti Sharma**

Chief Financial Officer & Company Secretary

April 27, 2016

Registered address:  
One Thomas More Square  
London E1W 1YN

## Director's report

The Directors have pleasure in presenting the thirteenth annual report of ICICI Bank UK PLC, together with the audited financial statements for the year ended March 31, 2016.

### Financial Results

The financial statements for the reporting year ended March 31, 2016 are shown on pages 16 to 80.

### Directors

Mrs. Chanda Kochhar	Chairperson of the Board
Mr. N.S. Kannan	Non Executive Director
Mr. Vijay Chandok	Non Executive Director
Mr. Robert Huw Morgan	Independent Non Executive Director
Mr. Jonathan Britton	Independent Non Executive Director
Mr. John Burbidge	Independent Non Executive Director
Sir Alan Collins	Independent Non Executive Director
Mr. Sudhir Dole	Managing Director & CEO

### Company Secretary

The name of the Company Secretary at the date of the report and who served during the year is as follows:  
Ms Aarti Sharma

### Going concern

The Bank's business activities and financial position; the factors likely to affect its future development and performance; and its objectives and policies in managing the financial risks to which it is exposed and its capital are discussed in the Business Review and Risk Management section.

The Directors have assessed, in the light of current and anticipated economic conditions, the Bank's ability to continue as a going concern. The Directors confirm they are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for preparing accounts.

### Share Capital

As at March 31, 2016, the issued and fully paid share capital amounted to USD 420 million (INR 27,833 million).

### Employees

As at March 31, 2016 the Bank had 184 employees. The Bank encourages the involvement of all employees in the Bank's overall performance and profitability. The Bank has a pension scheme operating in the UK in which the employees are entitled to a maximum of five percent contribution of their basic salary by the Bank. Generally, all permanent employees have life insurance cover to the extent of four times their base salary. The Bank also has a private medical insurance plan, which covers permanent employees and their dependents in UK.

## Director's report (continued)

The Bank is committed to employment practices and policies which recognise the diversity of its workforce and ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief. Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings, internal communications and opinion surveys. The Bank has adopted a Code of Conduct, which sets out the core values and behaviours expected of senior management and other employees. The requirements of the Code are for all employees to act with integrity and maintain the right culture at all times. It also reinforces the Bank's commitment to maintaining high standards in management of our relationship with customers, employees and suppliers.

The Bank recognises its social and statutory duty and follows a policy of providing same employment opportunities for disabled persons as for others.

The Bank follows a conservative and comprehensive approach towards remuneration. The Bank has adopted and implemented a Remuneration Policy which has been approved by the Board Governance Committee. The Bank ensures that it adheres to the Remuneration Code guidelines published by the PRA and FCA. The Bank's remuneration policy disclosures are made available on the Bank's website: [http://www.icicibank.co.uk/personal/basel\\_disclosures.html](http://www.icicibank.co.uk/personal/basel_disclosures.html). Effective July 2016, these disclosures will be available as part of Pillar 3 disclosures.

### Political contributions

The Bank made no political donations or incurred any political expenditure during the year.

### Disclosure of information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's Auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

### Auditor

KPMG LLP was appointed as the auditor of the Bank at its Annual General Meeting on July 20, 2015 for a year. In accordance with Section 489 of the Companies Act of 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Sudhir Dole**  
Managing Director & Chief Executive Officer

**Aarti Sharma**  
Chief Financial Officer & Company Secretary

April 27, 2016  
Registered number: 4663024  
Registered address:  
One Thomas More Square  
London E1W 1YN

## Statement of Directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with FRS102 and applicable law; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible to report a fair review of the development and performance of the business and the position of the company together with a description of the principal risks and uncertainties faced by the company. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule. The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions that are within the scope of the EU's Capital Requirements Directive (CRD IV) which are outlined in Note 37.

By order of the Board

**Sudhir Dole**  
Managing Director & Chief Executive Officer

April 27, 2016

**Aarti Sharma**  
Chief Financial Officer & Company Secretary

## Report of the independent auditor to the members of ICICI Bank UK PLC

We have audited the financial statements of ICICI Bank UK PLC ("the Bank") for the year ended March 31, 2016, set out on pages 16 to 80. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at March 31, 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Jonathan Bingham

Senior Statutory Auditor  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL

27 April, 2016



## Profit and Loss Account

for the year ended March 31, 2016

Convenience translation (Refer to Note 2 (b))

	Note	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Interest income and similar income arising on debt securities	5	16,541	9,375	1,096	621
Other interest income and similar income	5	124,518	125,289	8,250	8,301
Interest expense	6	(69,571)	(70,012)	(4,610)	(4,638)
<b>Net interest income</b>		<b>71,488</b>	<b>64,652</b>	<b>4,736</b>	<b>4,284</b>
Fees and commissions receivable		17,285	20,812	1,145	1,379
Foreign exchange revaluation gains		4,820	6,689	320	442
Income/(Loss) on financial instruments at fair value through profit and loss	7	(6,638)	12,023	(440)	797
Other operating income	8	682	451	45	30
<b>Operating income</b>		<b>87,637</b>	<b>104,627</b>	<b>5,806</b>	<b>6,932</b>
Administrative expenses	9,10	(33,142)	(37,259)	(2,196)	(2,469)
Depreciation	23	(1,026)	(1,414)	(68)	(94)
Specific impairment on investment securities	21	(5,917)	(13,538)	(392)	(897)
Impairment on loans and advances	20	(53,525)	(37,945)	(3,546)	(2,514)
Profit/(Loss) on sale of debt securities		11,984	8,299	794	551
Operating profit before tax		<b>6,011</b>	<b>22,770</b>	<b>398</b>	<b>1,509</b>
Tax on operating profit	12	(5,468)	(4,441)	(362)	(295)
Profit after tax		<b>543</b>	<b>18,329</b>	<b>36</b>	<b>1,214</b>

The dividends paid during the year (not included above) are detailed below:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Ordinary shares Dividend	-	(30,000)	-	(1,988)

The result for the year is derived entirely from continuing activities. The notes on pages 21 to 80 form part of these financial statements.

**Statement of other comprehensive Income**
*for the year ended March 31, 2016*
*Convenience translation (Refer to Note 2 (b))*

	Note	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Profit on ordinary activities after tax</b>		<b>543</b>	18,329	<b>36</b>	1,214
<b>Other comprehensive Income</b>					
Movement in available for sale reserve					
<b>Movement in fair value during the year</b>		<b>(1,733)</b>	6,585	<b>(115)</b>	437
Taxation relating to available for sale reserve		<b>(131)</b>	(4,191)	<b>(9)</b>	(278)
Net movement in available for sale reserve		<b>(1,864)</b>	2,394	<b>(124)</b>	159
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,864)</b>	2,394	<b>(124)</b>	159
<b>Total comprehensive income for the year</b>		<b>(1,321)</b>	20,723	<b>(88)</b>	1,373

The notes on pages 21 to 80 form part of these financial statements.

## Balance Sheet

As at March 31, 2016

Convenience translation (Refer to Note 2 (b))

	Note	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Assets</b>					
Cash		482	598	32	40
Balances at central banks		500,136	449,154	33,137	29,759
Loans and advances to banks	17	283,149	184,146	18,760	12,201
Loans and advances to customers	18	2,962,535	2,878,811	196,283	190,736
Investment in Treasury Bills	21	129,352	84,951	8,570	5,628
Other Investment Securities	21	614,061	412,979	40,685	27,362
Tangible fixed assets	23	3,866	4,411	256	292
Intangible fixed assets	23	318	363	21	24
Other assets	24	53,236	77,293	3,527	5,121
Prepayment and accrued income		56,122	37,100	3,718	2,457
<b>Total assets</b>		<b>4,603,257</b>	<b>4,129,806</b>	<b>304,989</b>	<b>273,620</b>
<b>Liabilities</b>					
Deposits by banks	25	591,280	365,417	39,175	24,211
Customer accounts	26	2,466,866	2,284,686	163,442	151,372
Bonds and medium term notes	27	511,453	250,530	33,886	16,599
Subordinated liabilities	28	234,242	233,402	15,520	15,464
Other liabilities	29	76,075	126,762	5,040	8,398
Accruals and deferred income		24,431	29,546	1,620	1,958
Repurchase Agreements	30	153,383	294,035	10,162	19,481
<b>Total Liabilities</b>		<b>4,057,730</b>	<b>3,584,378</b>	<b>268,845</b>	<b>237,483</b>
<b>Shareholders' funds:</b>					
Issued share capital	31	420,095	420,095	27,833	27,833
Capital contribution		7,332	5,912	487	392
Retained earnings		128,632	128,089	8,522	8,486
Available for sale reserve		(10,532)	(8,668)	(698)	(574)
<b>Total Equity</b>		<b>545,527</b>	<b>545,428</b>	<b>36,144</b>	<b>36,137</b>
<b>Total Equity and Liabilities</b>		<b>4,603,257</b>	<b>4,129,806</b>	<b>304,989</b>	<b>273,620</b>

The notes on pages 21 to 80 form part of these financial statements. These financial statements were approved by the Board of Directors on April 27, 2016 and were signed on its behalf by:

**Sudhir Dole**  
 Managing Director  
 & Chief Executive Officer  
 ICICI Bank UK PLC  
 Registered number 4663024

**Aarti Sharma**  
 Chief Financial Officer  
 & Company Secretary

## Statement of change in equity

for the year ended March 31, 2016

	Issued Share Capital USD 000s	Retained earnings USD 000s	Capital Redemption Reserve USD 000s	Other Compreh ensive Income USD 000s	Other USD 000s	Total USD 000s
As at April 1, 2014	495,095	89,760	50,000	(11,062)	5,256	629,049
Reduction in equity share capital	(75,000)	-	-	-	-	(75,000)
Cancellation of capital redemption reserve	-	50,000	(50,000)	-	-	-
Capital contribution (share based payments)	-	-	-	-	656	656
Other comprehensive income	-	-	-	2,394	-	2,394
Profit on ordinary activities after tax	-	18,329	-	-	-	18,329
Dividends paid during the year	-	(30,000)	-	-	-	(30,000)
<b>As at April 1, 2015</b>	<b>420,095</b>	<b>128,089</b>	<b>-</b>	<b>(8,668)</b>	<b>5,912</b>	<b>545,428</b>
Capital contribution (share based payments)	-	-	-	-	1,420	1,420
Other comprehensive income	-	-	-	(1,864)	-	(1,864)
Profit on ordinary activities after tax	-	543	-	-	-	543
<b>Closing shareholders' funds as at March 31, 2016</b>	<b>420,095</b>	<b>128,632</b>	<b>-</b>	<b>(10,532)</b>	<b>7,332</b>	<b>545,527</b>

The notes on pages 21 to 80 form part of these financial statements

**Statement of change in equity**
*for the year ended March 31, 2016*
*Convenience translation (Refer to Note 2 (b))*

	Issued Share Capital INR million	Retained earnings INR million	Capital Redemption Reserve INR million	Other Compreh ensive Income INR million	Other INR million	Total INR million
As at April 1, 2014	32,803	5,947	3,313	(733)	348	41,678
Reduction in equity share capital	(4,970)	-	-	-	-	(4,970)
Cancellation of capital redemption reserve	-	3,313	(3,313)	-	-	-
Capital contribution (share based payments)	-	-	-	-	44	44
Other comprehensive income	-	-	-	159	-	159
Profit on ordinary activities after tax	-	1,214	-	-	-	1,214
Dividends paid during the year	-	(1,988)	-	-	-	(1,988)
<b>As at April 1, 2015</b>	<b>27,833</b>	<b>8,486</b>	<b>-</b>	<b>(574)</b>	<b>392</b>	<b>36,137</b>
Capital contribution (share based payments)	-	-	-	-	95	95
Other comprehensive income	-	-	-	(124)	-	(124)
Profit on ordinary activities after tax	-	36	-	-	-	36
<b>Closing shareholders' funds as at March 31, 2016</b>	<b>27,833</b>	<b>8,522</b>	<b>-</b>	<b>(698)</b>	<b>487</b>	<b>36,144</b>

The notes on pages 21 to 80 form part of these financial statements

## Notes

(Forming part of the financial statements)

### 1 Reporting entity

ICICI Bank UK PLC ("ICICI Bank" or "the Bank"), is a Company incorporated in the United Kingdom. The Bank's registered address is - One Thomas More Square, London E1W 1YN. The Bank is primarily involved in providing a wide range of banking and financial services including retail banking, corporate and commercial banking, trade finance and treasury services.

### 2 Basis of preparation

The Financial Reporting Council (FRC) (the body responsible for setting UK standards for accounting, auditing and actuarial work) has published a suite of new financial reporting standards which replace UK GAAP in its entirety. Companies in the UK and Ireland are required to adopt this new accounting framework in their financial statements for periods commencing on or after 1 January 2015.

The Bank has adopted the Financial Reporting Standard 102 (FRS 102) with reduced disclosures for the period ended March 31, 2016 statutory financial statements. In these financial statements, the Bank is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- Certain disclosures required by FRS 102.26 Share Based Payments.

The accounting policies adopted by the Bank under old UK GAAP are also permitted under FRS 102 hence, there is no significant impact in the financial position and financial performance of the Bank upon transition to FRS 102. The financial statements have been transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. However, the disclosure requirements under new financial reporting standards have changed and accordingly the Bank has aligned to its disclosure under new FRS.

The financial statements have been prepared under the historical cost convention in accordance with the special provisions of Part XV of the Companies Act 2006 relating to banking companies and applicable accounting standards except for derivative financial instruments, financial instruments at fair value through profit or loss and available for sale financial assets which are valued at fair value.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The significant judgements and estimates have been in note 4.

#### (a) Statement of Compliance

The financial statements of the Bank have been prepared in accordance with Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

#### (b) Functional and presentation currency and convenience translation

The financial statements are prepared and presented in US Dollars, which is the functional currency of the Bank as it represents the currency of the primary economic environment in which the Bank operates. A significant proportion of the Bank's assets and revenues are transacted in US Dollars. All amounts in the financial statements have been rounded to the nearest \$1,000. The financials are also presented in Indian Rupee (INR) currency for convenience using the year end exchange rate. These numbers are proforma only and should not be regarded as being in compliance with FRS102.

### (c) Cash flow exemptions

Under section 1 of FRS 102, the Bank is exempted from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Bank in its own published consolidated financial statements. (See Note 45).

### (d) Related party exemptions

As the Bank is a wholly owned subsidiary of ICICI Bank Limited, the Bank has taken advantage of the exemption contained in section 33 of FRS 102 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of ICICI Bank Limited and disclosure requirement of any transactions with key management personnel of the entity or its parent. (See Note 45).

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with members of the same group that are wholly owned.

### (e) Going concern

The financial statements are prepared on a going concern basis as the Bank is satisfied that it has the resources to continue in business for the foreseeable future. The Bank meets its liquidity requirements through managing both retail and wholesale funding sources and meets the regulatory liquidity requirements through maintaining liquid assets. With regard to Capital, the Bank maintains adequate surplus over regulatory capital requirements. The Bank's risk management policies and procedures are outlined in Note 39.

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The parent bank has issued a letter of comfort to the Bank's regulators, the Financial Services Authority (FSA), now the PRA, stating that the parent bank intends to financially support the Bank in ensuring that it meets all of its financial obligations as they fall due. In addition, the Bank's forecasts and projections, taking account of possible changes in its business model in subsequent years, including stress testing and scenario analysis, show that the Bank will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. In making their assessment, the Directors have also considered future projections of profitability, cash flows and capital resources as well as the strategic review of the business model which is conducted on a periodic basis. The Bank has been maintaining a strong Capital adequacy and Tier 1 capital ratio. The Directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future and therefore it is appropriate to prepare the Annual Accounts on a going concern basis.

## 3 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

### (a) Interest income and expense

Interest income and expense are recognised in profit and loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instruments but not the credit losses. The effective interest rate is established on initial recognition (or upon reclassification) of the financial asset and liability and is not revised subsequently.

### (b) Fees and commissions income and expense

Fees and commission are recognised in the profit and loss account when the service has been rendered, except when those fees are an adjustment to the yield on the related asset, in which case they are amortised over the expected maturity of the asset using the effective interest rate method. Fees and commissions payable on borrowings raised are expensed to the profit and loss account over the life of the borrowing raised using the effective interest rate method and are included in interest expense.

### (c) Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange

rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into US Dollars at the rate of exchange ruling at the date of the transaction.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

#### **(d) Financial assets and financial liabilities**

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date of origination.

The Bank classifies its financial assets in the following categories: financial instruments at fair value through profit and loss; loans and receivables; available for sale financial assets and held to maturity investments. The management determines the classification of financial assets at initial recognition. The financial assets are de-recognised when the rights to receive cash flows have expired or the Bank has transferred substantially all the risks and rewards of ownership. Financial instruments are recognised at trade date, being the date on which the Bank commits to purchase or sell the instruments.

Financial liabilities (other than derivatives) are measured at amortised cost and are recognised at value date (or settlement date). They are de-recognised when liabilities are extinguished.

#### **(e) Investment securities**

Investment securities are initially measured at fair value plus incremental direct transaction costs except when the investments are classified at fair value through profit and loss as described in Note 3(h). The investments are subsequently accounted for, depending on their classification, as either held to maturity, loans and receivable, fair value through profit or loss, or available for sale.

#### **(f) Loans and receivables**

Loans and receivables, which include loans and advances and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as held for trading, designated at fair value through profit and loss, available for sale or held to maturity. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost using effective interest rate method. Loans and receivables are stated at amortised cost after deduction of amounts which are required as impairment provisions. Where loans have been acquired at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of acquisition to the expected date of maturity using the effective interest rate method.

Policy in relation to impairment: The Policy on impairment of loans and receivables is described in Note 4.

Policy in relation to write-offs: The Bank considers exposure for write off when the prospect of recovery over the next 12 month is remote and interest has not been serviced for the past 12 months. Any amount written off is in the first instance applied against specific provision for the exposure. In the normal course of business the loss to be written off will already have been fully provided. Any decision for a write-off is approved by the Board Credit Committee of the Bank.

Policy in relation to write back: If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal of impairment allowance and any recovery related to a written off asset shall be recognised in profit or loss.



### **(g) Fair value measurement**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, on the measurement date. This is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible.

When independent prices are not available or if the market for a financial instrument is not active, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Fair values of financial instruments may be determined in whole or in part using valuation techniques based on assumptions that are not supported by prices from current market transactions or observable market data.

In case of unobservable inputs or in case of unlisted entities, the inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which the level at which an arm's length transaction would occur under normal business conditions could be determined. In such cases, estimates are made in the valuation technique to reflect uncertainties in fair values resulting from a lack of market data inputs. These include most recent arm's length transaction between knowledgeable, willing parties; reference to fair value of a similar instrument; discounted cash flow; or option pricing models.

However, the valuation techniques incorporate all factors that market participants have considered in setting a price; and have been consistent with accepted economic methodologies for pricing financial instruments.

Note 21 provide a detailed disclosure regarding classification and Fair value of instruments held by the Bank.

### **(h) Financial instruments at fair value through profit and loss**

Financial instruments are classified in this category if they are held for trading. Instruments are classified as held for trading if they are:

- i) Acquired/incurred principally for the purposes of selling or repurchasing in the near term;
- ii) Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii) It is a derivative (except for derivative that is a financial guarantee contract or a designated as effective hedging instrument).

Financial instruments cannot be transferred into or out of this category after inception except certain assets on reclassification. Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to the profit and loss account. Financial instruments at fair value through profit and loss include debt securities which are held for trading and valued at fair value.

Derivatives are carried at fair value in the balance sheet within 'Other assets' and 'Other liabilities'. Valuation adjustments to cover credit and market liquidity risks are made with gains and losses taken directly to the profit and loss account and reported within income/(loss) on financial instruments at fair value through profit and loss. The credit valuation adjustment is an adjustment to the valuation of Over the Counter (OTC) derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Bank may not receive the full market value of the transactions. The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Bank may default, and that the Bank may not pay full market value of the transactions.

Positive and negative fair values of derivatives are offset where the contracts have been entered into under netting agreements or other arrangements that represent a legally enforceable right of set-off, which will survive the liquidation of either party, and there is the intention to settle net.

### **(i) Held to maturity financial assets**

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through

profit or loss or as available for sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

#### **(j) Available for sale financial assets**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale and are not categorised into any of the other categories described above. They are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included in the available for sale securities reserve until sale/derecognition, when the cumulative gain or loss is transferred to the profit and loss account.

Impairment losses on available for sale investment securities are recognised by transferring the cumulative loss that has been recognised directly in equity to profit and loss. The cumulative loss that is removed from equity and recognised in profit and loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity investment is recognised directly in reserves since it cannot be reversed through the profit and loss account.

#### **(k) Reclassification of financial assets**

The amendment to FRS 26 (FRS 26 has now been superseded by FRS 102) issued on October 10, 2008 permitted an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the Bank upon initial recognition) out of the fair value through profit and loss category in rare circumstances. The amendment also permitted an entity to transfer from the available for sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables and if the entity has the intention and ability to hold that financial asset for the foreseeable future.

When a financial asset is reclassified, it is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the profit and loss account or shareholder equity, as appropriate, is not reversed. The fair value of the financial asset on the date of reclassification becomes its fair value or amortised cost, as applicable. Under FRS 102, the Bank chose to continue following IAS 39 for financials assets classification and measurement and disclosure as per Section 11 and 12 and 34 of FRS 102.

#### **(l) Derivatives held for risk management purposes and hedge accounting instruments and hedging activities**

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps, futures, forward rate agreements, currency swaps, options and similar instruments, for trading and non-trading purposes. The Bank may designate a derivative as either a hedge of the fair value of a recognised fixed rate asset or liability or an unrecognised firm commitment (fair value hedge), a hedge of a forecasted transaction or the variability of future cash flows of a floating rate asset or liability (cash flow hedge) or a foreign-currency fair value or cash flow hedge (foreign currency hedge). All derivatives are recorded as assets or liabilities on the balance sheet at their respective fair values with unrealised gains and losses recorded either in reserves or in the profit and loss account, depending on the purpose for which the derivative is held. Derivatives that do not meet the criteria for designation as a hedge under FRS 102 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the profit and loss account.

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the gain or loss on the hedged asset or liability that is attributable to the hedged risk are recorded in the profit and loss account as other non-interest income. To the extent of the effectiveness of a hedge, changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge, are recorded in reserves. For all hedging relationships, ineffectiveness resulting from differences between the changes in fair value or cash flows of the hedged item and changes in the fair value of the derivative are recognised in the profit and loss account as other non-interest income.

At the inception of a hedge transaction, the Bank formally documents the hedging 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 measuring effectiveness. In addition, the Bank assesses both at the inception of the hedge and on an ongoing quarterly basis, whether the derivative used in the hedging transaction has been highly 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 Bank discontinues hedge accounting prospectively when it is either determined that the derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated because it is unlikely that a forecasted transaction will occur; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortised or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flow or forecasted transaction is still expected to occur, gains and losses that were accumulated in reserves are amortised or accreted into the profit and loss account. Gains and losses are recognised in the profit and loss account immediately if the cash flow hedge was discontinued because a forecasted transaction did not occur.

#### **(m) Other derivatives**

The Bank may occasionally enter into a contract (host contract) that contains a derivative that is embedded in the financial instrument. If applicable, an embedded derivative is separated from the host contract and can be designated as a hedge; otherwise, the derivative is recorded as a freestanding derivative. Such financial instruments stand extinguished at the time of conversion (debt into equity), sale and maturity.

#### **(n) Sale and repurchase agreements**

When securities are sold subject to a commitment to repurchase them at a predetermined price ('repos'), they remain on the balance sheet as, in substance, these transactions are in the nature of secured borrowings. As a result of these transactions, the Bank is unable to use, sell or pledge the transferred assets for the duration of the transaction. Similarly, securities purchased under commitments to sell ('reverse repos') are not recognised on the balance sheet.

#### **(o) Identification and measurement of impairment**

Impairment provisions/charges are made where there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows from the asset that can be reliably estimated. Losses expected as a result of future events are not recognised. Evidence of impairment is considered on both individual and portfolio basis.

Refer Note 4 (a) and Note 4 (b) for the detailed policy guidance.

#### **(p) Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment. Cost includes expenditures that are directly attributable to the acquisition of the asset

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets. Depreciation on intangible assets is provided on a straight-line basis over their estimated useful economic life. The useful economic life of the fixed assets is expected as follows:

Leasehold improvements	Over the lease period
Office equipment	6 – 7 years
Furniture, fixtures and fittings	6 – 7 years
Computer hardware	3 – 4 years
Software	Over the estimated useful life <sup>1</sup>

<sup>1</sup>The useful life is on an average is currently between 1-5 years

Depreciation methods, useful life and residual values are reviewed at each balance sheet date. Depreciation is charged to the profit and loss account for all the fixed assets.

#### **(q) Provisions**

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present, legal or constructive obligation, which has arisen as a result of a past event and for which a reliable estimate can be made of the amount of the obligation. All significant provisions have been discounted for current market assessments and the time value of money.

#### **(r) Deposits, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and subordinated liabilities are the sources of debt funding. These are initially measured at fair value plus directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### **(s) Income tax expense**

Income tax expense comprises current and deferred tax. Income tax and deferred tax expense is recognised in the profit and loss statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date and includes any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, in respect of all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As required by section 29 of FRS 102 "Deferred Tax", deferred tax is measured at the tax rates expected to be applied to the temporary difference when they reverse, based on the tax laws that have been enacted or substantially enacted by the reporting date. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient future taxable profits from which the future reversal of the underlying timing differences can be deducted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(t) Employee benefits**

The Bank operates a stakeholder defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account as incurred.

#### **(u) Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the non-cancellable lease term provided the same is ascertainable unless another basis is more appropriate

#### **(v) Share based payments**

The Parent Bank (ICICI Bank Limited) has issued share options to the employees of ICICI Bank UK PLC. These transactions are recognised as equity-settled share based payments. The expense is recognised over the vesting period based on the market value of shares as on the date of grant of shares, adjusted for the number of the employees leaving the Bank. A capital contribution from the Parent Bank is recognised in the books over the vesting period in the shareholders' funds. Under FRS 102 Section 26, a subsidiary should recognise an expense in its profit and loss account to reflect the effective remuneration paid to employees in respect of share awards granted by the Parent Bank. The corresponding entry is to equity as the amounts are considered to be capital contributions by the Parent Bank.

As the Bank is a wholly owned subsidiary of ICICI Bank Limited, the Bank has taken advantage of the exemption contained in section 26 of FRS 102 and has therefore not disclosed certain information under section 26.18(b), 26.19 to 26.23 of FRS 102.

#### **(w) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly

liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

#### (x) Other Liabilities

The other liabilities consist of liabilities for the creditors, settlement balances, derivatives financial instruments, Corporation tax payable and other creditors. The derivative financial instruments are measured at fair value through profit and loss; other creditors are measured at amortised cost. These liabilities are de-recognised when liabilities are extinguished.

#### (y) Share Capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

### 4 Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Considering the inherent uncertainty and subjectivity in making judgements and estimates, outcomes in future periods may be different from those on which the management's estimates are based. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Bank's results and financial position, based upon significant judgements and estimates, are discussed below.

#### (a) Allowances for credit losses

The Bank regularly reviews its loan portfolio to assess for impairment. Provisions are established to recognise incurred losses in the loan portfolio carried at amortised cost. In determining whether an impairment has occurred at the balance sheet date, the Bank assesses if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment rather the combined effect of several events may have caused the impairment.

The Bank's policies governing specific impairment, restructuring/renegotiation and collective provision are detailed below:

**i) Specific impairment:** In accordance with the Bank's Credit Risk Management Policy (CRMP), the Bank identifies on a monthly basis, cases that are internally rated 'B' or below and/or significantly in breach of any covenants, including delays in debt servicing and/or where there is an expectation of significant credit deterioration.

**Borrower's financial difficulty/credit deterioration/trigger event:** The Bank assesses an asset for specific impairment if it becomes probable that the borrower is facing significant financial difficulty. The Bank also assesses for specific impairment and makes specific provision if necessary, if there is evidence of any significant credit deterioration or any event which indicates a reduced ability for the borrower to repay its interest and principal. The indicators of impairment can include, among other things:

- a) Net worth of the risk counterparty/borrower turning negative
- b) Delay in interest and or principal repayments
- c) Breach in financial covenants
- d) Likelihood of borrower entering bankruptcy/ financial reorganization.
- e) Rating downgrade by external credit rating agencies.

- f) National or local economic conditions that correlate with defaults on the assets in the borrower group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).
- g) Substantial decline in value of security provided to the Bank, especially when security is prime consideration for the lending. The unsecured portion of the exposure may be subjected to impairment testing.
- h) Invocation of contractual comfort by the Bank such as corporate guarantee/put option which is not honoured by the counterparty.

**Identification of specific impairment in an account:** The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement. The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement. The following disclosure practices have been adopted in Note 19:

Loans are disclosed as impaired where an individual allowance has been raised against the loan. Past due not impaired loans comprises (i) loans with overdue principal, interest or other amounts at the balance sheet date but no loss is expected; and (ii) past due loans with adequate collateral cover.

The objective of the policy is to maintain an appropriate level of provision reflective of the risk profile of the loan portfolio. It is not the Bank's policy to systematically over-provide or under-provide for its Credit Risk. The provision weightings included in the policy document are continually monitored against the lending experience of the Bank and are periodically adjusted to reflect such experience.

The Bank's policy is predicated on the premise that regardless of the quality of a lending institution and of its systems and procedures and of its client base the business of extending credit carries the intrinsic risk of such credit not being repaid and monies advanced proving to be irrecoverable. In accordance with the guidelines of FRS 102, an impairment loss for financial assets measured at amortized cost is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The estimated future cash flows take into account only the credit losses that have been incurred at the time of the impairment loss calculation. In case the expected cash flows are not available, the breakup value of security/collateral for respective facilities under watch is calculated in accordance with the Bank's collateral valuation policy. In line with accounting guidelines, the Bank recognises an impairment loss equal to the best estimate within the range of reasonably possibly outcomes, taking into account all relevant information available about conditions existing at the end of the reporting period. For determining the specific provisions on individual impaired cases, the management exercises judgment involving matters such as realisable value of the security, estimation of the future cash flows and their timing. Consequently these allowances can be subject to variation as time progresses and the circumstances of the borrower become clearer.

- ii) **Restructured/renegeotiated cases:** A restructured account is one where the Bank, for economic or legal reasons relating to the borrower's difficulty, grants to the borrower concessions that the Bank would not otherwise consider. Restructuring would normally involve modification of the terms of advances/securities which could include alteration of repayment period/repayable amount/the amount of instalments/rate of interest (due to reasons other than competition). The restructuring of an asset is only granted in situations where the customer has showed a willingness to repay the borrowing and is expected to be able to meet the revised terms of the restructuring. The Bank measures a restructured troubled loan by reducing its recorded value to its net realisable value, taking into account the cost of all concessions at the date of the restructuring. The reduction in the carrying value is recorded as a charge to the profit and loss statement in the period in which the loan is restructured.

In relation to loans and advances, the modifications of terms and conditions related to security and collateral arrangements or the waiver of certain covenants which do not affect payment arrangements, are not regarded as sufficient indicators of impairment or restructuring, as such changes do not necessarily indicate credit issues affecting the borrower's payment ability.

The Bank charges penal interest to the borrower for any delay in interest/principal payment unless a waiver has been approved by the Bank's relevant authority. As per the Bank's practice, such waivers are given in exceptional circumstances which could be mainly related to procedural delays in receiving the interest/principal payment by the due date.

The Bank derecognizes a loan when there are substantial modifications to the terms of the loan on restructuring.

**iii) Collective provision:** Collectively assessed impairment allowances cover credit losses inherent in portfolios with similar economic characteristics, when there is objective evidence to suggest that they contain impaired claims, but, the individual impaired items cannot yet be identified. In assessing the need for collective impairment allowances, management considers factors such as historical loss trends, credit quality of the portfolio, portfolio size, concentrations, and economic factors. The aggregate amount of specific and collective provisions is intended to be sufficient to absorb estimated credit losses generated in the loan portfolio.

The collective impairment policy as defined in the CRMP stipulates that collective provision, based on the credit rating of the exposures, needs to be provided in respect of the entire performing loan and receivables portfolio. The Bank has followed FRS 102 guidelines for defining its collective impairment policy wherein the provisioning is determined by the extent of the underlying credit risk in the portfolio of the Bank. This is also the direction provided by the Basel Accord. The exposures that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. In line with market practice, the Bank has been using a representative set of Probability of Default (PD)/Loss Given Default (LGD) data to determine the extent of provisioning required to be made by the Bank in respect of its performing loan portfolio on a collective basis. The aggregate provisioning requirement is arrived at by multiplying the outstanding amounts under each portfolio type (internally rated and externally rated exposures) on the relevant date with the corresponding PD and LGD.

In the absence of adequate internal default history and on account of a similar internal credit rating scale, the Bank has used Probability of Default (PD) data of its Parent (ICICI Bank Limited) for estimating the collective provisioning on its internally rated India country of exposure portfolio. For the internally rated non-India country of exposure portfolio, the Bank has used PD data from Moody's, corresponding to the geographies which make up the majority of its non-India exposures. The Bank considers a time horizon of one year to be appropriate for estimating collective provisions, as it believes that this is reflective of the emergence period for losses in its portfolio. On the India exposures, the Bank has used the average one year PDs of the Parent from FY 2006 onwards, while the Moody's data covers a period from the year 2003 onwards. For the externally rated Asset Backed Securities (ABS) portfolio, the average one year PD data for structured finance transactions, published by Standard and Poor (S&P) for the period 1978-2012 has been used to calculate the collective provision. The LGD for the externally rated ABS portfolio has been assumed at 50.0% based on S&P's experience of recovery rates. For the internally rated portfolio, the LGD has been calculated based on the collateral available with the Bank. LGD and haircuts applicable for each collateral as prescribed in Basel II guidelines have been considered. The historical average PD data being used covers a full economic cycle and captures periods of low economic activity when relatively higher default rates were observed.

#### **(b) Impairment of available for sale financial assets**

The Bank regularly reviews its available for sale securities portfolio to assess for impairment. The Bank considers all available evidence, including observable market data or information about events specifically relating to the securities which may result in a shortfall in recovery of future cash flows. These events may include a significant financial difficulty of the issuer, a breach of contract such as a default, bankruptcy or other financial reorganisation, or the disappearance of an active market for the debt security because of financial difficulties relating to the issuer, information about the issuer's liquidity, business and financial risk exposures, level of and trends in default for similar financial assets and national and local economic conditions. While assessing ABS for objective evidence of impairment, the Bank considers the performance of the underlying collateral, changes in credit rating, credit enhancements, default events etc. Once impairment has been identified, the amount of impairment is measured

based on the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss. In determining whether an impairment event has occurred at the balance sheet date, the Bank considers whether there is any observable data which comprises evidence of the occurrence of a loss event, and evidence that the loss event results in a decrease in estimated future cash flows or their timings. Such observable data includes any adverse change in the payment status of borrowers or changes in economic conditions that correlate with defaults on loan repayment obligations.

Available-for-sale equity investments: A significant or prolonged decline in the fair value of the equity below its cost is an objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

The negative mark to market (MTM) on the AFS portfolio is monitored by the Bank on a regular basis. The Bank follows its valuation policy for valuing its AFS portfolio (refer point (c) relating to 'Valuation of financial instruments' below).

### (c) Valuation of financial instruments

The Bank values its available for sale and held for trading investment securities at fair market value. The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, or the financial instruments are traded infrequently and have little price transparency or the fair value is less objective, and requires varying degrees of judgment, the Bank uses valuation techniques to arrive at the fair value. The valuation techniques employ observable market data to calculate fair values, including comparisons with similar financial instruments for which market observable prices exist. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared. The Bank values the equity option embedded in the financial instruments such as FCCBs based on valuation techniques with observable market inputs.

## 5 Interest income and similar income on arising on debt securities and others

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Interest income on financial assets under AFS category	10,232	9,199	678	609
Interest income on financial assets under HTM category	6,309	176	418	12
<b>Total</b>	<b>16,541</b>	<b>9,375</b>	<b>1,096</b>	<b>621</b>
<b>Other interest income and similar income</b>				
Interest income on financial assets under Loans and receivable category	119,854	119,418	7,941	7,912
Interest income on financial assets measured at FVTPL	4,664	5,871	309	389
<b>Total</b>	<b>124,518</b>	<b>125,289</b>	<b>8,250</b>	<b>8,301</b>



## 6 Interest expenses

Interest expense is recognised in profit and loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability (or where appropriate, a shorter period) to the carrying amount of the financial liability.

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2016 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Interest expense on financial liabilities measured at amortised cost	69,571	70,012	4,610	4,638
<b>Total</b>	<b>69,571</b>	<b>70,012</b>	<b>4,610</b>	<b>4,638</b>

## 7 Income/(Loss) on financial instruments at fair value through profit and loss

(Loss)/Income on financial instruments at fair value through profit and loss consists of unrealised and realised gains or losses on transactions in securities and derivatives.

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2016 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Income on other financial assets	-	-	-	-
Realised gains/(losses) on derivative instruments (incl equity option of FCCBs*)	(5,647)	6,150	(374)	407
Unrealised gains/(losses) on derivative instruments	(991)	5,873	(66)	390
<b>Total</b>	<b>(6,638)</b>	<b>12,023</b>	<b>(440)</b>	<b>797</b>

Other financial assets include, derivative instruments include currency spot, forwards and option contracts including the equity option component of foreign currency convertible bonds (FCCB\*) and interest rate swaps and futures. Gains and losses on derivatives are presented on a net basis as it is not practical to split the same, although derivative assets and liabilities are grossed up within other assets and other liabilities on the balance sheet.

## 8 Other operating income

Other operating income primarily consists of retail branch related fees and other corporate banking related income.

**Profit on ordinary activities before tax is stated after charging**

## 9 Administrative expenses

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Staff costs (including Directors' emoluments):				
Wages and salaries	17,958	19,024	1,190	1,260
Social security costs	1,505	1,776	100	118
Other pension costs	515	533	34	35
Operating lease expenses	2,548	2,761	169	183
Other administrative expenses	10,616	13,165	703	873
<b>Total</b>	<b>33,142</b>	<b>37,259</b>	<b>2,196</b>	<b>2,469</b>

The number of persons employed by the Bank (including Directors) during the year was as follows:

	Year ended March 31, 2016 No. of Employees	Year ended March 31, 2015 No. of Employees
Management	41	45
Non Management	143	151
<b>Total</b>	<b>184</b>	<b>196</b>

## 10 Auditor's remuneration

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Fees payable to the Bank's statutory auditors and their associates for the audit of Bank's annual accounts	486	509	32	34
Fees payable to the Bank's statutory auditors and their associates for other services:				
Audit related assurance services	430	460	28	30
Tax compliance services	27	29	2	2
<b>Total</b>	<b>943</b>	<b>998</b>	<b>62</b>	<b>66</b>

## 11 Segmental reporting

The Bank centrally manages its banking activities as a single business from its offices in the UK, Germany and Belgium. The Board reviews the Bank's performance as a single business.

## 12 Taxation

### (a) Analysis of charge in the year

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
<b>Current tax</b>				
UK Corporation tax <sup>1</sup> at 20% (2015: 21%) on the taxable profit for the year	1,209	4,497	80	298
Double taxation relief	(1,209)	(4,444)	(80)	(294)
Overseas corporation charge	5,142	6,756	340	448
	<u>5,142</u>	<u>6,809</u>	<u>340</u>	<u>452</u>
Adjustments for prior years <sup>2</sup>	(4)	(2,774)	-	(184)
	<u>5,138</u>	<u>4,035</u>	<u>340</u>	<u>268</u>
<b>Deferred tax</b>				
Origination and reversal of timing differences	330	406	22	27
<b>Tax on profit on ordinary activities</b>	<u>5,468</u>	<u>4,441</u>	<u>362</u>	<u>295</u>

### (b) Analysis of total taxation in the year

(INR million)

	March 31, 2016			March 31, 2015		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	5,138	330	5,468	4,035	406	4,441
Recognised in other comprehensive income	-	-	-	(1,383)	-	(1,383)
<b>Total tax</b>	<u>5,138</u>	<u>330</u>	<u>5,468</u>	<u>2,652</u>	<u>406</u>	<u>3,058</u>

### INR million

	March 31, 2016			March 31, 2015		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	340	22	362	268	26	294
Recognised in other comprehensive income	-	-	-	(92)	-	(92)
<b>Total tax</b>	<u>340</u>	<u>22</u>	<u>362</u>	<u>176</u>	<u>26</u>	<u>202</u>

**(c) Reconciliation of tax**

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
<b>Profit on ordinary activities before tax</b>	<b>6,010</b>	<b>22,770</b>	<b>398</b>	<b>1,509</b>
Tax using the UK corporation tax rate of 20% for FY2016 (2015: 21%)	1,202	4,782	80	317
Effect of tax rates in foreign jurisdictions	3,934	2,312	260	153
Reduction in tax rate on deferred tax balances	2	19	0	1
Expenses not deductible for tax purposes	99	167	7	11
Differences in relation to share schemes	235	(65)	15	(4)
Under / (over) provided in prior years	(4)	(2,774)	0	(183)
<b>Total tax expense included in profit and loss account</b>	<b>5,468</b>	<b>4,441</b>	<b>362</b>	<b>295</b>

**(d) The movements in deferred tax asset during the year were:**

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Balance as at March 31	373	779	25	52
Debit to profit and loss account :				
Reversal of Deferred tax asset	(327)	(387)	(22)	(26)
Rate differential from 21% to 20% in FY2016 and 23% to 21% in FY2015	(2)	(19)	-	(1)
<b>Balance as at March 31</b>	<b>44</b>	<b>373</b>	<b>3</b>	<b>25</b>

**(e) Deferred tax is composed of the tax impact of the following items:**

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Collective provision	-	43	-	3
Effect of:	-	-	-	-
- Fees Income amortisation	-	174	-	12
- Recognition of fair value of derivatives	-	67	-	4
Excess of tax written down value over book value of tangible fixed assets	44	89	3	6
<b>Total</b>	<b>44</b>	<b>373</b>	<b>3</b>	<b>25</b>

In addition to above deferred tax assets as above, the Bank does not have any unused tax losses or unused tax credit.

#### (f) Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. These reductions will reduce the company's future current tax charge accordingly. The entire outstanding of USD 0.04 million in deferred tax assets arising on timing difference is expected to be reversed in FY2017. The overseas tax rate is higher than corporate tax rate in the UK primarily due to profits earned in Germany branch of the Bank, effective tax rate for FY2016 is 29% (FY2015-32%). Any change in effective tax rate in UK and overseas jurisdiction may affect the future tax charge.

<sup>1</sup>The UK corporation tax rate reduced from 23% to 21% effective from April 1 2014. Further changes to 20%, effective from April 1 2015 were enacted in the budget announcement on April 15, 2015. The deferred tax asset at March 31 2016 has been calculated based on the rate of 19% at the balance sheet date.

<sup>2</sup>Adjustment to prior years for the year March 2016 includes recycling of tax credit of USD 0.004 million (INR 0.3 million) (2015: USD 2.8 million, INR 184 million) from AFS reserve to tax account within P&L.

### 13 Emoluments of Directors

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Directors' fees and gross emoluments	970	1,092	64	72

The gross emoluments<sup>1</sup> of the highest paid director were USD 611,999 (INR 40,547,994) (2015: USD 698,094; INR 46,252,218) excluding share based payments. Post-employment benefits are accruing for one director (2015: One) under a money purchase pension scheme amounted to USD 25,658 (INR 1,699,971) (2015: USD 25,923; INR 1,717,528). Stock options<sup>2</sup> are granted to one director (2015: One) the number of stock options granted to the director during the year was 460,000 (2015: 230,000).

<sup>1</sup>Gross emoluments include base salary and performance bonus

<sup>2</sup>Refer note 14 for the details of the stock option scheme.

### 14 Share-based payments

During the year, USD 1.4 million (INR 92.8 million) was charged to the profit and loss account in respect of equity-settled share-based payment transactions (2015: USD 0.66 million; INR 43.4 million). This expense, which was computed from the fair values of the share-based payment transactions when granted, arose under employee share awards made in accordance with the ICICI Bank Limited group's reward structures.

#### Stock Option Scheme

In terms of an Employee Stock Option Scheme (ESOS), of the Parent Bank, options are granted to eligible employees and Directors of the Bank and its subsidiaries. As per the ESOS as amended from time to time, the maximum number of options granted to any employee/Director in a year is limited to 0.05% of the Parent Bank's issued equity shares at the time of the grant, and the aggregate of all such options is limited to 10% of Parent Bank's issued equity shares on the date of the grant. Options granted 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 2015 vest in a graded manner over a three-year period, with 30%, 30%, and 40% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. 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 option expires after the exercisable period is over as above.

## 15 Related party transaction

During the year the Bank entered into transactions with other related parties, in the ordinary course of business. Transactions entered into, and balances outstanding at 31 March, are as follows. The Bank is exempt from disclosing other related party transactions as they are with the companies that are wholly owned within the Group. (see note 2 (d))

ICICI Lombard General Insurance Company Limited: 63.8% owned by parent company.

	FY2016 USD 000	FY2015 USD 000	FY2016 INR million	FY2015 INR million
Purchase of Insurance policies	60	-	4	-
Outstanding balances	-	-	-	-

## 16 Financial Services Compensation Scheme

The Financial Services Compensation Scheme ('FSCS') has provided compensation to consumers following the collapse during 2008 of a number of deposit takers such as Bradford & Bingley plc, Heritable Bank plc, Kaupthing Singer & Friedlander Limited, Landsbanki 'Icesave', Dunfermline Building Society and London Scottish Bank plc. The protection of consumer deposits is currently funded through loans from the Bank of England and HM Treasury. The Bank could be liable to pay a proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury which is currently at GBP 15.7 billion as per the FSCS Plan and Budget for 2016/2017. The Bank is also obligated to pay its share of forecast management expenses based on the Bank's market share of deposits protected under the FSCS. This levy is called the specified deposit defaults (SDD) levy. As per the FSCS Plan and Budget for 2016/2017, FSCS expects to levy the deposit taking sector a levy of GBP 363 million of indicative annual levy compared to a final levy of GBP 319 million for 2015/16. The Bank is obligated to pay its share of interest cost, other levies for Dunfermline contribution and capital shortfall based on the Bank's market share of deposits protected under the FSCS. The actual amount of levy will be billed to the Bank based its share of deposits protected under the FSCS.

The Bank has recognized an expense of USD 1.6 million (INR 106 million) during FY2016 (FY2015: USD 2.3 million; INR 152 million), in respect of all statutory levies. This mainly includes the Bank's share of the SDD levy management expense, including interest costs and principal and regular deposit protection charges. The Bank has accrued the SDD levy based on its estimated share of total market protected deposits. The Bank has adopted IFRIC 21 'Levies', effective FY2014 for accounting for the FSCS liability. There is no equivalent guidance within FRS 102 and section 10 of FRS 102 (Accounting Policies) allows the use of alternative accounting frameworks where this is the case.

## 17 Loans and advances to banks

### (a) Residual Maturity

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Banks</b>				
Repayable on demand	53,684	32,614	3,557	2,161
Other loans and advances				
Remaining Maturity :				
Over 5 years	-	-	-	-
5 year or less but over 1 year	-	-	-	-
1 year or less but over 3 months	45,000	39,744	2,981	2,633
3 months or less	181,553	106,524	12,029	7,058
	<u>280,237</u>	<u>178,882</u>	<u>18,567</u>	<u>11,852</u>
<b>Parent and Group Companies</b>				
Repayable on demand	2,952	5,290	196	350
Other loans and advances				
Remaining Maturity :				
1 year or less but over 3 months	-	-	-	-
3 months or less	-	-	-	-
	<u>2,952</u>	<u>5,290</u>	<u>196</u>	<u>350</u>
Sub Total	283,189	184,172	18,763	12,202
Collective provision	(40)	(26)	(3)	(1)
Specific impairment allowance	-	-	-	-
<b>Total</b>	<u>283,149</u>	<u>184,146</u>	<u>18,760</u>	<u>12,201</u>

### (b) Concentration of exposure

The Bank has the following concentrations of gross loans and advances to banks:

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Total gross advances to banks located in:</b>				
UK	25,593	25,610	1,696	1,697
Europe	12,718	5,420	843	359
North America	14,801	1,405	981	93
India	209,505	144,444	13,880	9,570
Rest of the World	20,572	7,293	1,363	483
<b>Total</b>	<u>283,189</u>	<u>184,172</u>	<u>18,763</u>	<u>12,202</u>

As at March 31, 2016, the Bank had no direct exposure to banks in Portugal, Italy, Ireland, Greece, Spain, Cyprus, Ukraine or Russia (2015: NIL).

Geographical concentration represents the country of risk exposure. Generally, the risk domicile of an exposure is identified as the country of residence of the borrower provided that the cash flows of the borrower and/or the value of the security adequately covers the loan exposure of the Bank.

The increase during the current year is mainly driven by bill discounting facilities.

## 18 Loans and advances to customers

### (a) Residual Maturity

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Repayable on demand or at short notice	10,653	45,797	705	3,034
Other loans and advances				
Remaining Maturity :				
Over 5 years	497,542	384,331	32,965	25,464
5 years or less but over 1 year	1,373,284	1,356,346	90,987	89,865
1 year or less but over 3 months	604,654	315,877	40,061	20,928
3 months or less	559,028	837,482	37,039	55,488
Sub total	3,045,161	2,939,833	201,757	194,779
Collective provision	(11,518)	(9,577)	(763)	(635)
Specific impairment allowance	(71,108)	(51,445)	(4,711)	(3,408)
Total	2,962,535	2,878,811	196,283	190,736

### (b) Concentration of exposure

Geographical concentrations of loans and advances to customers

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Total gross advances to banks located in:</b>				
UK	766,863	532,292	50,809	35,267
Europe	475,893	549,652	31,530	36,417
North America	478,001	322,863	31,670	21,391
India	848,497	1,047,628	56,217	69,411
Rest of the World	475,907	487,398	31,531	32,293
Total	3,045,161	2,939,833	201,757	194,779



As at March 31, 2016, the outstanding exposure to customers in Ireland was nil (2015: nil) and to Spain was nil (2015: Nil). As at March 31, 2016, the Bank had no direct exposure to customers in Portugal, Italy, Greece, Cyprus, Ukraine or Russia. (2015: NIL).

Geographical concentration represents the country of risk exposure. Generally, the risk domicile of an exposure is identified as the country of residence of the borrower provided that the cash flows of the borrower and/or the value of the security adequately covers the loan exposure of the Bank.

### (c) Loans to customers placed as collateral against borrowings from Central banks

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Carrying amount of loans	34,152	32,240	2,263	2,136

## 19 Potential credit risk on financial instruments

March 31, 2016

USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash	482	-	-	-	482
Balances at central banks	500,136	-	-	-	500,136
Loans and advances to banks	283,189	-	-	(40)	283,149
Loans and advances to customers	2,767,417	74,939	202,805	(82,626)	2,962,535
Investment securities	741,938	-	51,514	(50,039)	743,413
Other assets*:					
- Cheques in clearing	416	-	-	-	416
- Deposits receivable	5,411	-	-	-	5,411
- Derivative financial instruments	40,878	-	-	-	40,878
- Unsettled securities	-	-	-	-	-
Accrued income and other receivables	58,028	-	-	-	58,028
<b>Total financial instruments</b>	<b>4,397,895</b>	<b>74,939</b>	<b>254,319</b>	<b>(132,705)</b>	<b>4,594,448</b>

March 31, 2016

INR million

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash	32	-	-	-	32
Balances at central banks	33,137	-	-	-	33,137
Loans and advances to banks	18,763	-	-	(3)	18,760
Loans and advances to customers	183,355	4,965	13,437	(5,474)	196,283
Investment securities	49,157	-	3,413	(3,315)	49,255
Other assets*:					
- Cheques in clearing	28	-	-	-	28
- Deposits receivable	359	-	-	-	359
- Derivative financial instruments	2,708	-	-	-	2,708
- Unsettled securities	-	-	-	-	-
Accrued income and other receivables	3,844	-	-	-	3,844
<b>Total financial instruments</b>	<b>291,383</b>	<b>4,965</b>	<b>16,850</b>	<b>(8,792)</b>	<b>304,406</b>

March 31, 2015

USD 000s

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash	598	-	-	-	598
Balances at central banks	449,154	-	-	-	449,154
Loans and advances to banks	184,172	-	-	(26)	184,146
Loans and advances to customers	2,665,869	101,160	172,804	(61,022)	2,878,811
Investment securities	490,539	-	51,590	(44,199)	497,930
Other assets*:					-
- Cheques in clearing	182	-	-	-	182
- Deposits receivable	9,671	-	-	-	9,671
- Derivative financial instruments	59,106	-	-	-	59,106
- Unsettled securities	2,357	-	-	-	2,357
Accrued income and other receivables	37,960	-	-	-	37,960
<b>Total financial instruments</b>	<b>3,899,608</b>	<b>101,160</b>	<b>224,394</b>	<b>(105,247)</b>	<b>4,119,915</b>

March 31, 2015

INR million

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances & collective provision	Total
Cash	40	-	-	-	40
Balances at central banks	29,759	-	-	-	29,759
Loans and advances to banks	12,202	-	-	(1)	12,201
Loans and advances to customers	176,628	6,702	11,449	(4,043)	190,736
Investment securities	32,500	-	3,418	(2,928)	32,990
Other assets*:					
- Cheques in clearing	12	-	-	-	12
- Deposits receivable	641	-	-	-	641
- Derivative financial instruments	3,916	-	-	-	3,916
- Unsettled securities	156	-	-	-	156
Accrued income and other receivables	2,513	-	-	-	2,513
<b>Total financial instruments</b>	<b>258,367</b>	<b>6,702</b>	<b>14,867</b>	<b>(6,972)</b>	<b>272,964</b>

\*excludes deferred tax assets, prepaid expenses and fixed assets

### Loans and advances to customers

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Loans contractually overdue as to principal or interest				
- Less than 60 days	6,815	9,148	452	606
- 61 to 90 days	22,255	-	1,475	-
- more than 90 days	208,909	233,932	13,841	15,499
<b>Total</b>	<b>237,979</b>	<b>243,080</b>	<b>15,768</b>	<b>16,105</b>

### Concentration of overdue exposure

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
United Kingdom	-	-	-	-
Europe	32,450	53,245	2,150	3,528
India	174,275	189,835	11,547	12,577
Rest of the World	31,254	-	2,071	-
<b>Total</b>	<b>237,979</b>	<b>243,080</b>	<b>15,768</b>	<b>16,105</b>

**Past due whether impaired or not**

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Past due not impaired	74,939	101,160	4,965	6,702
Past due impaired	163,040	141,920	10,803	9,403
<b>Total</b>	<b>237,979</b>	<b>243,080</b>	<b>15,768</b>	<b>16,105</b>

**Past due not impaired\***

	March 31, 2016 INR million	March 31, 2015 INR million	March 31, 2016 INR million	March 31, 2015 INR million
- Less than 60 days	-	9,148	-	606
- 61 to 90 days	22,255	-	1,475	-
- more than 90 days	52,684	92,012	3,490	6,096
<b>Total</b>	<b>74,939</b>	<b>101,160</b>	<b>4,965</b>	<b>6,702</b>

\*Past due not impaired are stated at the total value of the exposure. The total overdue contractual payments of principal or interest are USD 41.0 million (INR 2,716 million) (2015: USD 52.5 million, INR 3,478 million) of which USD 9.0 million (INR 596 million) relates to a case under litigation where the Bank believes that it has strong case for full recovery based on external legal advice. The above excludes accounts with total gross exposure of USD 8.2 million (INR 543 million) and overdue of USD 2.9 million (INR 192 million) which have been paid subsequent to the yearend. All overdue cases are assessed for impairment as per the Bank's policy. As on the reporting date, the Bank has reasonable certainty of repayment of the outstanding or there is adequate collateral cover. Hence these exposures have not been classified as impaired.

During the year ended March 31, 2016 the Bank had not renegotiated/restructured any loan (2015: USD 9.8 million, INR 649 million). As on March 31, 2016, included in the impaired loans was loan restructured in previous years of USD 39.8 million (INR 2,637 million) (2015: USD 26.0 million; INR 1,723 million).

**20 Profit and loss account**
**Impairment on loans and advances**

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
New charges	(52,767)	(35,650)	(3,496)	(2,362)
Release of allowance	-	-	-	-
Write off directly to profit and loss	(758)	(2,295)	(50)	(152)
	<b>(53,525)</b>	<b>(37,945)</b>	<b>(3,546)</b>	<b>(2,514)</b>

**Movement in impairment allowance on loans and advances**

	March 31, 2016 (USD 000s)			March 31, 2015 (USD 000s)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	51,445	9,603	61,048	52,673	8,500	61,173
Charge to profit and loss account	50,812	1,955	52,767	34,547	1,103	35,650
Other provision on interest income	1,660	-	1,660	-	-	-
Amounts written off	(32,809)	-	(32,809)	(35,388)	-	(35,388)
Recovery	-	-	-	-	-	-
Others (incl FX)	-	-	-	(387)	-	(387)
<b>Closing Balance</b>	<b>71,108</b>	<b>11,558</b>	<b>82,666</b>	<b>51,445</b>	<b>9,603</b>	<b>61,048</b>

**Movement in impairment allowance on loans and advances**

	March 31, 2016 (INR million)			March 31, 2015 ( INR million)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	3,408	636	4,044	3,490	563	4,053
Charge to profit and loss account	3,367	130	3,497	2,289	73	2,362
Other provision on interest income	110	-	110	-	-	-
Amounts written off	(2,174)	-	(2,174)	(2,345)	-	(2,345)
Recovery	-	-	-	-	-	-
Others (incl FX)	-	-	-	(26)	-	(26)
<b>Closing Balance</b>	<b>4,711</b>	<b>766</b>	<b>5,477</b>	<b>3,408</b>	<b>636</b>	<b>4,044</b>

## 21 Investment securities

### Classification of Investment securities

	March 31, 2016 Market Value USD 000s	March 31, 2015 Market Value USD 000s	March 31, 2016 Market Value INR million	March 31, 2015 Market Value INR million
<b>Analyzed by class:</b>				
Government Securities	129,352	84,951	8,570	5,628
Other securities				
- Bonds	588,313	347,062	38,979	22,994
- Asset Backed Securities	18,530	58,526	1,228	3,878
- Equity	7,218	7,391	478	490
Total other securities	614,061	412,979	40,685	27,362
<b>Total</b>	<b>743,413</b>	<b>497,930</b>	<b>49,255</b>	<b>32,990</b>
<b>Analysed by designation:</b>				
Available for sale	468,598	482,703	31,047	31,981
Held to Maturity	274,815	15,227	18,208	1,009
Financial instruments at fair value through profit and loss	-	-	-	-
<b>Total</b>	<b>743,413</b>	<b>497,930</b>	<b>49,255</b>	<b>32,990</b>
<b>Analysed by issuer:</b>				
<b>Available for sale</b>				
Issued by public bodies:				
Government Issued	110,618	79,969	7,328	5,298
Other Public sector securities	227,896	230,036	15,099	15,241
Issued by other issuers	130,084	172,698	8,619	11,442
<b>Held to Maturity</b>				
Government Issued	18,734	4,982	1,242	330
Issued by other issuers	256,081	10,245	16,967	679
<b>Financial instruments at fair value through profit and loss</b>				
Issued by other issuers	-	-	-	-
<b>Total</b>	<b>743,413</b>	<b>497,930</b>	<b>49,255</b>	<b>32,990</b>
<b>Analysed by listing status:</b>				
<b>Available for sale</b>				
Unlisted	116,360	79,969	7,709	5,298
Listed	352,238	402,734	23,338	26,683
<b>Held to Maturity</b>				
Listed	274,815	15,227	18,208	1,009
<b>Financial instruments at fair value through profit and loss</b>				
Unlisted	-	-	-	-
<b>Total</b>	<b>743,413</b>	<b>497,930</b>	<b>49,255</b>	<b>32,990</b>
<b>Analysed by maturity*:</b>				
Due within 1 year	276,260	203,186	18,304	13,462
Due 1 year and above	459,935	287,353	30,473	19,038
<b>Total</b>	<b>736,195</b>	<b>490,539</b>	<b>48,777</b>	<b>32,500</b>

\*does not include USD 5.7 million (INR 378 million) of investment in equity (FY2015: USD 7.4 million, INR 490 million)

### Impairment on investment securities

During the year the Bank booked impairment of USD 5.9 million (INR 391 million) (2015: USD 13.5 million; INR 894 million) through the profit and loss in respect of certain equity investments held as available for sale.

### Investments held at fair value at March 31, 2016, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	110,617	-	-	110,617
Bonds	332,232	-	-	332,232
Asset Backed Securities	18,530	-	-	18,530
Equity	1,476	-	5,743	7,219
Total	462,855	-	5,743	468,598

INR million

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	7,329	-	-	7,329
Bonds	22,011	-	-	22,011
Asset Backed Securities	1,228	-	-	1,228
Equity	98	-	381	479
Total	30,666	-	381	31,047

### Investments held at fair value at March 31, 2015, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	79,969	-	-	79,969
Bonds	336,817	-	-	336,817
Asset Backed Securities	58,526	-	-	58,526
Equity	7,391	-	-	7,391
Total	482,703	-	-	482,703



INR million

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	5,298	-	-	5,298
Bonds	22,316	-	-	22,316
Asset Backed Securities	3,877	-	-	3,877
Equity	490	-	-	490
<b>Total</b>	<b>31,981</b>	<b>-</b>	<b>-</b>	<b>31,981</b>

### Valuation Hierarchy

The valuation hierarchy is set out below:

Level 1: Investments valued using unadjusted quoted prices in active markets.

Level 2: Investments valued using valuation techniques based on observable market data for instruments where markets are considered less than active. Instruments in this category are valued using:

- (a) Quoted prices for similar assets, or identical assets in markets which are considered to be less than active; or
- (b) Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data

Level 3: Investments valued using valuation model based on significant non market observable inputs.

### Investments placed as collateral against liabilities/borrowings

Under Repurchase agreements the Bank has assets transferred certain Bonds, ABSs & FCCBs issued by financial institutions & corporates (refer Note 30).

## 22 Reclassification of Financial Assets

In October 2008, the Accounting Standard Board's issued amendments to FRS 26 'Financial Instruments: Recognition and Measurement' and FRS 29 'Financial Instruments: Disclosures' (FRS 26 and FRS 29 has now been superseded by FRS 102) issued which permitted an entity to reclassify certain financial assets out of the held for trading category. The amendment also permitted an entity to transfer from the available for sale category to the loans and receivable category in certain circumstances. Under FRS 102, the Bank chose to continue following IAS 39 for financials assets classification and measurement and disclosure as per Section 11 and 12 and 34 of FRS 102. During the year the Bank transferred certain asset backed securities of USD 32.4 million (INR 2,147 million) from the available for sale category to the loans and receivable category (2015: Nil).

## 23 Fixed assets

	Leasehold Improve- ments USD 000s	Tangible Fixed Assets USD 000s	Intangible Fixed Assets USD 000s	Total USD 000s
<b>Cost:</b>				
At April 1, 2015	11,679	4,931	3,651	20,261
Additions	316	40	92	448
Disposal	(706)	(201)	(9)	(916)
<b>At March 31, 2016</b>	<b>11,289</b>	<b>4,770</b>	<b>3,734</b>	<b>19,793</b>
<b>Accumulated depreciation:</b>				
At April 1, 2015	7,556	4,643	3,288	15,487
Charge for year	761	128	137	1,026
Disposal	(709)	(186)	(9)	(904)
<b>At March 31, 2016</b>	<b>7,608</b>	<b>4,585</b>	<b>3,416</b>	<b>15,609</b>
<b>Net book value:</b>				
<b>At March 31, 2016</b>	<b>3,681</b>	<b>185</b>	<b>318</b>	<b>4,184</b>
At April 1, 2015	4,123	288	363	4,774

	Leasehold Improve- ments INR million	Tangible Fixed Assets INR million	Intangible Fixed Assets INR million	Total INR million
<b>Cost:</b>				
At April 1, 2015	774	327	242	1,343
Additions	21	3	6	30
Disposal	(47)	(14)	(1)	(63)
<b>At March 31, 2016</b>	<b>748</b>	<b>316</b>	<b>247</b>	<b>1,310</b>
<b>Accumulated depreciation:</b>				
At April 1, 2015	501	308	217	1,026
Charge for year	50	8	10	68
Disposal	(47)	(12)	(1)	(60)
<b>At March 31, 2016</b>	<b>504</b>	<b>304</b>	<b>226</b>	<b>1,034</b>
<b>Net book value:</b>				
<b>At March 31, 2016</b>	<b>244</b>	<b>12</b>	<b>21</b>	<b>276</b>
At April 1, 2015	273	19	24	316

## 24 Other assets

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Amounts in clearing	416	182	28	12
Deposits receivable	5,411	9,671	359	641
Deferred tax asset	44	373	3	25
Derivative financial instruments	40,878	59,106	2,708	3,916
Settlement balances <sup>1</sup>	0	2,357	0	156
Other receivables	3,487	2,604	231	172
Others <sup>2</sup>	3,000	3,000	198	199
<b>Total</b>	<b>53,236</b>	<b>77,293</b>	<b>3,527</b>	<b>5,121</b>

<sup>1</sup> Mainly comprising of securities pending settlement

<sup>2</sup> Includes assets acquired in settlement of loan claims, held as inventory at lower of cost or net realizable value

## 25 Deposits by banks

With agreed maturity dates or periods of notice, by remaining maturity:

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
<b>Banks</b>				
5 years or less but over 1 year	302,280	22,010	20,027	1,458
1 year or less but over 3 months	255,000	329,407	16,895	21,825
3 months or less but not repayable on demand	34,000	14,000	2,253	928
	<b>591,280</b>	<b>365,417</b>	<b>39,175</b>	<b>24,211</b>

## 26 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
More than 5 years	2,846	2,684	189	178
5 years or less but over 1 year	423,631	470,639	28,068	31,182
1 year or less but over 3 months	643,196	723,911	42,615	47,963
3 months or less but not repayable on demand	164,128	212,219	10,873	14,060
	<b>1,233,801</b>	<b>1,409,453</b>	<b>81,745</b>	<b>93,383</b>
Repayable on demand	1,233,065	875,233	81,697	57,989
<b>Total</b>	<b>2,466,866</b>	<b>2,284,686</b>	<b>163,442</b>	<b>151,372</b>

## 27 Bonds and medium term notes

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Bonds issued*				
Residual Maturity				
5 year or less but over 1 year	112,787	188,330	7,473	12,478
1 year or less but over 3 months	291,929	62,200	19,342	4,121
3 months or less	106,909	-	7,082	-
511,625	250,530	33,897	16,599	
Less: Bond issue expenses	(172)		(11)	-
Total bonds and medium term notes	511,453	250,530	33,886	16,599

\* Listed with Singapore stock exchange.

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2016 are as follows:

Nature of Issue: Senior unsecured bonds

Date of Issue	Interest frequency	Interest Rate	Maturity	USD 000s	INR million
27-Mar-13	Quarterly	2.32%	Bullet payment in April 2016.	74,908	4,963
14-Oct-14	Semi-annual	1.03%	Bullet payment in October 2017.	8,887	589
22-Oct-14	Quarterly	1.87%	Bullet payment in October 2016.	100,000	6,626
09-Jan-15	Quarterly	1.77%	Bullet payment in July 2016.	5,000	331
27-Apr-15	Quarterly	1.82%	Bullet payment in May 2018.	10,000	663
08-Jun-15	Quarterly	1.84%	Bullet payment in June 2018.	10,000	663
29-Jul-15	Semi-annual	1.60%	Bullet payment in August 2016.	51,929	3,441
25-Aug-15	Quarterly	1.39%	Bullet payment in September 2016.	75,000	4,969
06-Aug-15	Quarterly	1.84%	Bullet payment in August 2017.	39,968	2,648
28-Sep-15	Quarterly	1.80%	Bullet payment in September 2018.	5,000	331
02-Sep-15	Quarterly	1.17%	Bullet payment in September 2016.	10,000	663
28-Sep-15	Quarterly	1.80%	Bullet payment in September 2018.	5,000	331
28-Sep-15	Semi-annual	2.50%	Bullet payment in September 2017.	14,837	983
28-Sep-15	Quarterly	1.48%	Bullet payment in March 2017.	50,000	3,312
18-Nov-15	Quarterly	1.67%	Bullet payment in November 2018.	5,000	331
14-Dec-15	Semi-annual	1.10%	Bullet payment in June 2016.	10,000	663
21-Dec-15	Semi-annual	1.05%	Bullet payment in June 2016.	10,000	663
29-Dec-15	Semi-annual	1.10%	Bullet payment in June 2016.	12,000	794
13-Jan-16	Semi-annual	2.35%	Bullet payment in January 2018.	14,096	933
<b>Total</b>				<b>511,625</b>	<b>33,897</b>
<b>Less: Bond issue expenses</b>				<b>(172)</b>	<b>(11)</b>
<b>Total bonds and medium term notes</b>				<b>511,453</b>	<b>33,886</b>

## 28 Subordinated debt liabilities

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Sub-ordinated debt*				
Residual Maturity				
Over 5 years	-	150,000	-	9,938
5 year or less but over 1 year	150,000	85,000	9,938	5,632
1 year or less but over 3 months	85,000	-	5,633	-
	235,000	235,000	15,571	15,570
<b>Less:</b> Bond issue expenses	(335)	(568)	(22)	(38)
<b>Less:</b> Adjustments to carrying amount for change in the value of hedge which is ineffective	(423)	(1,030)	(29)	(68)
	234,242	233,402	15,520	15,464

\* Listed with Singapore stock exchange.

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2016 are as follows:

Date of Issue	Interest frequency	Interest Rate	Interest frequency	Maturity	USD 000s	INR million
12-Dec-06	Perpetual junior subordinated notes	6.38%	Semi-annually	Callable by issuer at par in 2016; no maturity	85,000	5,633
23-Nov-10	Unsecured subordinated fixed rate notes due 2020	7.00%	Semi-annually	Bullet payment in November 2020	150,000	9,938
<b>Total</b>					<b>235,000</b>	<b>15,571</b>
<b>Less:</b> Bond issue expenses					(335)	(22)
<b>Less:</b> Adjustments to carrying amount for change in the value of hedge which is ineffective					(423)	(29)
					<b>234,242</b>	<b>15,520</b>

For all the subordinated notes, the notes and coupons are direct, unsecured and subordinated obligations of the Bank, and rank pari passu without any preference among themselves.

## 29 Other liabilities

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Amounts in clearing	1,158	1,612	76	106
Corporation tax payable	2,279	1,687	151	112
Other creditors	4,571	2,409	303	159
Derivative financial instruments	57,355	110,932	3,800	7,350
Settlement balances	10,712	10,122	710	671
<b>Total</b>	<b>76,075</b>	<b>126,762</b>	<b>5,040</b>	<b>8,398</b>

### 30 Repurchase agreements

	March 31, 2016 USD 000s		March 31, 2015 USD 000s	
	Carrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
<b>Repurchase agreements</b>	<b>153,383</b>	<b>185,248</b>	294,035	349,012

  

	March 31, 2016 INR million		March 31, 2015 INR million	
	Carrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
<b>Repurchase agreements</b>	<b>10,162</b>	<b>12,274</b>	19,481	23,124

The repurchase transactions enable the Bank to raise funds using its portfolio of government bonds or corporate bonds and Asset Backed Securities (ABS) as collateral. These bonds and ABS are issued by financial institutions & corporates with carrying value of USD 185 million (INR 12,257 million) (2015: USD 349.0 million; INR 23,123 million). These have been pledged as collateral under repurchase agreements entered by the Bank. These form part of the AFS book & Loans and Receivable book (refer Note 21 and Note 41). As per the contract, the Bank agrees to repay the principal along with the interest at maturity and receive the collateral from the counter party.

#### With agreed maturity dates or periods of notice, by remaining maturity:

	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
5 years or less but over 1 year	52,980	56,189	3,510	3,723
1 year or less but over 3 months	56,189	136,259	3,723	9,028
3 months or less	44,214	101,587	2,929	6,730
<b>Total</b>	<b>153,383</b>	<b>294,035</b>	<b>10,162</b>	<b>19,481</b>

### 31 Called up share capital

At March 31, 2016 the Issued share capital of ICICI Bank UK PLC was:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
420 million ordinary shares of USD 1 each	420,000	420,000	27,827	27,827
50,002 ordinary shares of £1 each	95	95	6	6
<b>Total Share Capital</b>	<b>420,095</b>	<b>420,095</b>	<b>27,833</b>	<b>27,833</b>

There is no movement in number of shares during the year. All the shares are allotted and fully paid and the holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. There are no restrictions on the distribution of dividends and the repayment of capital.

### 32 Employee benefits

During the year, the Bank made a contribution of USD 515,360 (INR 34,145,177) (2015: USD 533,252 INR 35,330,608) to the pension scheme. Out of this amount, USD 38,771 (INR 2,568,754) was accrued at the yearend (2015: USD 40,668; INR 2,694,456).

### 33 Contingent liabilities and commitments (Off Balance Sheet)

As a part of banking activities, the Bank issued bank guarantees to support business requirements of customers. Guarantees represent irrevocable assurances that the Bank will pay in the event a customer fails to fulfil its financial or performance obligations. The credit risks associated with these guarantees are similar to those relating to other types of unfunded facilities. The Bank enters into guarantee arrangements after conducting appropriate due diligence on the customers. Upon default by a customer under the terms of the guarantee, the beneficiary may exercise its rights under the guarantees, and the Bank is obligated to honour payments to the beneficiaries.

The Bank extends financing to its customers by loan facilities, credit lines and other commitments to lend. Depending upon customer's requirement and subject to its ability to maintain specific credit standards, the unexpired undrawn commitment can be withdrawn by customers. 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 customer's ability to maintain specific credit standards.

#### (a) Guarantees and other commitments:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
<b>Guarantees</b>	<b>325,614</b>	333,083	<b>21,574</b>	22,068
<b>Other commitments</b>				
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:				
on guarantees			-	-
Less than one year	20,322	4,209	1,346	279
More than one year	-	-	-	-
<b>Total guarantees and commitments</b>	<b>345,936</b>	337,292	<b>22,920</b>	22,347

#### (b) Significant concentrations of contingent liabilities and commitments

Approximately 67% (2015: 68%) of the total contingent liabilities and commitments relate to counterparties in India and the majority of the remaining balance relates to Europe.

#### (c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding foreign exchange contracts of USD 1,187 million (INR 78,645 million) (2015: USD 1,311 million; INR 86,860 million).

### 34 Litigation

In the ordinary course of business, the Bank pursues litigation in order to recover any overdue exposures. There are no material litigations against the Bank.

### 35 Operating lease commitments

As at March 31, 2016, the Bank has the following non cancellable operating lease commitments:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
<b>Land and Buildings</b>				
Within 1 year	2,601	2,430	172	161
Between 1 and 5 years	7,516	7,895	498	523
More than 5 years	2,522	4,044	167	268
	<b>12,639</b>	<b>14,369</b>	<b>837</b>	<b>952</b>

During the year the Bank sub-let a portion of premise taken on lease, the sub-lease agreement provides for fixed lease rentals for the entire period. The lease will expire after more than 5 years. Following is the future minimum lease payments receivable under non cancellable operating leases:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
<b>Land and Buildings</b>				
Within 1 year	164	-	11	-
Between 1 and 5 years	1089	-	72	-
More than 5 years	350	-	23	-
	<b>1,603</b>	<b>-</b>	<b>106</b>	<b>-</b>

### 36 Categories and classes of Financial Instruments

The carrying amounts of the financial assets and liabilities include:

	Year ended March 31, 2016 USD 000s	Year ended March 31, 2015 USD 000s	Year ended March 31, 2016 INR million	Year ended March 31, 2015 INR million
Financial assets measured at fair value through profit or loss	40,878	59,106	2,708	3,916
Financial assets under Available for Sale category	468,598	482,703	31,047	31,981
Financial assets under Loans and receivable category	3,810,157	3,562,879	252,442	236,058
Financial assets under Held to maturity category	274,815	15,227	18,208	1,009
<b>Total financial assets</b>	<b>4,594,448</b>	<b>4,119,915</b>	<b>304,405</b>	<b>272,964</b>
Liabilities measured at fair value through profit or loss	57,355	110,932	3,800	7,350
Liabilities measured at amortised cost	4,000,375	3,473,446	265,045	230,133
<b>Total financial liabilities</b>	<b>4,057,730</b>	<b>3,584,378</b>	<b>268,845</b>	<b>237,483</b>



**Assets:**

**As at March 31, 2016**

**USD 000s**

	Fair value through P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	482	-	482
Balances at central banks	-	-	500,136	-	500,136
Loans and advances to banks	-	-	283,149	-	283,149
Loans and advances to customers	-	-	2,962,535	-	2,962,535
Investment Securities	-	468,598	-	274,815	743,413
Other assets*	40,878	-	9,314	-	50,192
Accrued income	-	-	54,541	-	54,541
<b>Total financial assets</b>	<b>40,878</b>	<b>468,598</b>	<b>3,810,157</b>	<b>274,815</b>	<b>4,594,448</b>

**As at March 31, 2016**

**INR million**

Cash	-	-	32	-	32
Balances at central banks	-	-	33,137	-	33,137
Loans and advances to banks	-	-	18,760	-	18,760
Loans and advances to customers	-	-	196,283	-	196,283
Investment Securities	-	31,047	-	18,208	49,255
Other assets*	2,708	-	617	-	3,325
Accrued income	-	-	3,613	-	3,613
<b>Total financial assets</b>	<b>2,708</b>	<b>31,047</b>	<b>252,442</b>	<b>18,208</b>	<b>304,405</b>

**As at March 31, 2015**

**INR million**

Cash	-	-	598	-	598
Balances at central banks	-	-	449,154	-	449,154
Loans and advances to banks	-	-	184,146	-	184,146
Loans and advances to customers	-	-	2,878,811	-	2,878,811
Investment in Securities	-	482,703	-	15,227	497,930
Other assets*	59,106	-	14,814	-	73,920
Accrued income	-	-	35,356	-	35,356
<b>Total financial assets</b>	<b>59,106</b>	<b>482,703</b>	<b>3,562,879</b>	<b>15,227</b>	<b>4,119,915</b>

**As at March 31, 2015**
**INR million**

Cash	-	-	40	-	40
Balances at central banks	-	-	29,759	-	29,759
Loans and advances to banks	-	-	12,201	-	12,201
Loans and advances to customers	-	-	190,736	-	190,736
Investment in Securities	-	31,981	-	1,009	32,990
Other assets*	3,916	-	981	-	4,897
Accrued income	-	-	2,341	-	2,341
<b>Total financial assets</b>	<b>3,916</b>	<b>31,981</b>	<b>236,058</b>	<b>1,009</b>	<b>272,964</b>

\* excludes deferred tax assets, prepaid expenses, fixed assets and assets acquired in settlement of loan claims, held as inventory at lower of cost or net realizable value

**Liabilities:**
**As at March 31, 2016**
**USD 000s**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	591,280	591,280
Customer accounts	-	2,466,866	2,466,866
Bonds and Medium term notes	-	511,453	511,453
Subordinated debts	-	234,242	234,242
Other liabilities	57,355	18,720	76,075
Accruals and deferred income	-	24,431	24,431
Repurchase agreements	-	153,383	153,383
<b>Total financial liabilities</b>	<b>57,355</b>	<b>4,000,375</b>	<b>4,057,730</b>

**As at March 31, 2016**
**INR million**

Deposits by banks	-	39,175	39,175
Customer accounts	-	163,442	163,442
Bonds and Medium term notes	-	33,886	33,886
Subordinated debts	-	15,520	15,520
Other liabilities	3,800	1,240	5,040
Accruals and deferred income	-	1,620	1,620
Repurchase agreements	-	10,162	10,162
<b>Total financial liabilities</b>	<b>3,800</b>	<b>265,045</b>	<b>268,845</b>

**As at March 31, 2015**

**USD 000s**

Deposits by banks	-	365,417	365,417
Customer accounts	-	2,284,686	2,284,686
Bonds and Medium term notes	-	250,530	250,530
Subordinated debts	-	233,402	233,402
Other liabilities	110,932	15,830	126,762
Accruals and deferred income	-	29,546	29,546
Repurchase agreements	-	294,035	294,035
<b>Total financial liabilities</b>	<b>110,932</b>	<b>3,473,446</b>	<b>3,584,378</b>

**As at March 31, 2015**

**INR million**

Deposits by banks	-	24,211	24,211
Customer accounts	-	151,372	151,372
Bonds and Medium term notes	-	16,599	16,599
Subordinated debts	-	15,464	15,464
Other liabilities	7,350	1,048	8,398
Accruals and deferred income	-	1,958	1,958
Repurchase agreements	-	19,481	19,481
<b>Total financial liabilities</b>	<b>7,350</b>	<b>230,133</b>	<b>237,483</b>

Refer to Note 3 for descriptions of categories of assets and liabilities

### 37 Capital Management

The Bank's regulatory capital requirements are set and monitored by the PRA. The Bank implemented the CRD IV (Basel III) framework for calculating minimum capital requirements, with effect from January 1, 2014. The Bank's regulatory capital is categorised into two tiers:

- Tier 1 capital, which includes ordinary share capital, capital redemption reserve and retained earnings.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective provision and other allowances.

Banking operations are categorized as either trading or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognized in the balance sheet.

The Bank uses regulatory capital ratios in order to monitor its capital base and these capital ratios remain the international standards for measuring capital adequacy. The PRA's approach to such measurement based upon CRD IV is now primarily based on monitoring the Capital Resource Requirement to available capital resources. The PRA also sets Individual Capital Guidance (ICG) for the Bank that sets capital requirements in excess of the minimum Capital Resource Requirement. A key input to the ICG setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP). Further, during the year, the PRA issued final guidelines on assessment of capital adequacy under Pillar II. Under the final guidelines, the total capital adequacy requirement for the Bank equals the aggregate of the Pillar 1 capital requirement, the Pillar 2A capital requirement (derived from the Internal Capital Guidance), macro-prudential buffers if applicable (such as the Countercyclical Capital Buffer), the Capital Conservation Buffer (CCoB) and the 'PRA buffer'. The 'PRA buffer' recognises the overlap between the Pillar 2B requirement under the ICAAP and the CCoB, and as a result, is estimated as the difference between the existing Capital Planning Buffer (a result of the Pillar 2B analysis under ICAAP) and the CCoB.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Bank has complied with all regulatory capital requirements throughout the year.

The Bank's regulatory capital resources under CRDIV are as follows:

	March 31, 2016 USD million	March 31, 2015 USD million	March 31, 2016 INR million	March 31, 2015 INR million
<b>Total Capital</b>	<b>684.3</b>	707.0	<b>45,338</b>	46,842
- Tier I	<b>537.6</b>	538.8	<b>35,619</b>	35,698
- Tier II	<b>146.7</b>	168.2	<b>9,719</b>	11,144

### 38 Country by country reporting

The Capital Requirements Directive 4 ("CRD IV") requirements stipulate reporting on a consolidated basis, by country where the reporting institution has an establishment, the name, nature of activities, geographical location, number of employees, turnover, pre-tax profit/loss, corporation taxes paid and any public subsidies received.

The Bank has two branches in the EU which are outside UK, in Antwerp (Belgium) and Eschborn (Germany). The details of the business activities are provided in the Business Review section of the Strategic Report. Details as on March 31, 2016 are provided below:

	UK		Belgium		Germany	
Number of employees	167		3		14	
	USD million	INR million	USD million	INR million	USD million	INR million
Turnover <sup>1,2</sup>	71.2	4,714	5.9	394	22.5	1,491
Pre-tax profit	(1.2)	(78)	(10.0)	(665)	17.2	1,140
Corporation tax paid	0.4	26	-	-	5.1	336

<sup>1</sup>Income before operating expenses and provisions

<sup>2</sup>Includes P&L on sale of financial assets

There were no public subsidies received during the year. It may be noted that the Corporation tax paid are the cash taxes paid. Refer Note 12 for information on the current year taxation (which includes taxes accrued not yet paid).

### 39 Risk Management Framework

ICICI Bank UK PLC has adopted the governance framework in line with the corporate governance practices adopted by other UK financial institutions. The Board is assisted by its sub-committees, the Audit Committee, the Board Governance Committee (BGC), the Board Risk Committee (BRC), the Board Credit Committee (BCC), and the Board Conduct Risk Committee (BCRC), and follows ICICI Group's overall risk management framework. The Board has delegated responsibility for the day-to-day management of the Bank to the Managing Director and Chief Executive Officer. In this role, the Managing Director and Chief Executive Officer is supported by the Management Committee, which he chairs. The Management Committee is supported by various other committees, which include the Executive Credit and Risk Committee (ECRC), the Asset Liability Management Committee (ALCO), the Compliance Conduct and Operational Risk Committee (CORMAC), and the Product and Process Approval Committee (PAC).

As a financial institution, the Bank is exposed to various types of risks. The objective of the risk management framework of the Bank is to ensure that the key risks facing the Bank are identified, understood, measured and monitored; and that the policies and procedures established to address these risks are strictly adhered to.

The key principles underlying the risk management framework of the Bank are as follows:

1. The Board of Directors has oversight over the risks assumed by the Bank. Specific Board committees have been constituted to facilitate focused oversight of various risks.
2. Policies approved from time to time by the Board of Directors/Committees of the Board form the governing framework for each type of risk. The business activities are undertaken within this policy framework.
3. Independent groups and sub-groups have been constituted across the Bank to facilitate independent evaluation, monitoring and reporting of risks. These groups function independently of the business groups/sub-groups.

As part of implementation of an Enterprise Risk Management framework, the Bank has developed a risk appetite framework based on its strategy, an examination of best practices and the risk appetite statement of the Parent. The risk appetite statement has been further drilled down into portfolio-level limits.

The Bank has a risk register which documents the material risks faced by the Bank and categorises them as High/Medium or Low risk based on likelihood and severity of impact. The key material risks to which the Bank is exposed include credit risk (including concentration risk and political risk), market risk (including interest rate and credit spread risks), liquidity risk and operational risk (including 'compliance and legal risk' and 'conduct risks').

The approach adopted by management to manage the key risks facing the Bank is outlined below.

## Credit Risk

Credit risk is the risk that losses may arise as a result of the Bank's borrowers or market counterparties failing to meet obligations under a contract. All credit risk related aspects are governed by the Credit Risk Management Policy (CRMP), which is approved and reviewed annually by the Board Credit Committee. The CRMP describes the principles which underpin and drive the Bank's approach to credit risk management together with the systems and processes through which they are implemented and administered.

The Bank ensures that there is independent challenge of credit proposals by adopting a two stage process whereby a commercial officer assesses and proposes a transaction or limit and this proposal is then reviewed independently and assessed by a credit officer within the risk team. The CRMP lays down a structured credit approval process, which includes the procedure for independent credit risk assessment and the assignment of an internal risk rating (IRR) to the borrower. The risk rating is a critical input in the credit approval process and is used as an input in arriving at the risk premium for the proposal.

The Bank uses credit rating software through which it assesses a variety of risks relating to the borrower and the relevant industry while assigning an internal rating. Borrower risk is evaluated by considering, inter alia:

- The financial position of the borrower, by analysing 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;
- The borrower's relative market position and operating efficiency; and
- The quality of management by analysing its track record, payment record and financial conservatism.

Industry risk is evaluated by considering, inter alia:

- Certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, cyclicity and government policies relating to the industry;
- The competitiveness of the industry; and
- Certain industry financials, including return on capital employed, operating margins, and earnings stability.

After conducting an analysis of a specific borrower's risk, the Bank assigns an internal risk rating to the borrower. The Bank has a rating scale ranging from 'AAA' to 'D' (AAA signifying the highest level of credit worthiness and D signifying default). AAA through to BBB are considered as 'Investment Grade' while BB and below are considered 'Non-Investment Grade'.

## Credit approval

The delegation structure for approval of credit limits is approved by the Board Credit Committee. Credit proposals are approved by the Executive Credit and Risk Committee (ECRC) or the Board Credit Committee (BCC) based on, inter alia, the amount and internal risk rating of the facility. All credit proposals put up to the BCC are passed through the ECRC.

The Credit Risk team is also responsible for the following with respect to managing the Bank's credit risk:

- Developing credit policies in consultation with the Corporate Banking Group which cover collateral management, the credit rating framework, provisioning, etc.
- Establishing the delegation of sanctioning powers available to individuals, singly or jointly, and the credit committees which are documented in the Credit Approval Authorisation Manual.
- Limiting and monitoring concentrations of exposure to counterparties, geographies, industrial sectors, internal rating categories, etc.
- Performing periodic credit stress tests on the Bank's portfolio and communicating the results to the BCC.

The credit middle office function is responsible for credit administration which includes monitoring compliance with the terms and conditions prior to disbursement. It also reviews the completeness of documentation and creation of security.

## Concentration risk

Concentration risk arises from significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location, instrument type. The concentration risk

in the Bank's portfolio is governed by the risk appetite framework which stipulates various limits to manage exposure concentrations within the Bank. The key parameters of risk concentrations measured in the Bank include sectoral, country, rating category based, product specific exposures, counterparty and large exposures.

### **Credit Monitoring**

Credit quality is monitored on an ongoing basis but can also be triggered by any material credit event coming to the Bank's notice through either primary or secondary sources. The Bank has established a credit forum, which is comprised of Heads of Businesses and the Head of Risk. The credit forum focuses on management & monitoring of impaired and watchlist assets/investments and also monitors developments in the Bank's portfolio through the Early Warning Indicators (EWI) framework to identify potential vulnerabilities. It is the Bank's policy to review borrower accounts at least on an annual basis or in a shorter interval if recommended by the credit officer or the relevant sanctioning committee. A risk based asset review framework has been put in place wherein the frequency of asset review would be higher for cases with higher exposure and/or lower credit rating. The Bank has established a list of assets under watch as an additional tool for monitoring exposures which show or are expected to show signs of weakness. The assets under watch are reviewed on a quarterly basis by the BCC, in addition to review and monitoring by the credit forum. The Bank documents the 'lessons learned' from its experiences of exposures against which specific provisions have been raised. These are presented to the BCC and circulated to the commercial officers.

Credit risk is also managed at the portfolio level by monitoring and reporting risk dashboards to the BCC. The credit risk dashboard is constructed using key risk indicators for underlying portfolio rating, counterparty concentration, geographical concentration, stressed assets, sectoral concentration, recovery risk and documentation risk.

The segregation of responsibilities and oversight by groups external to the business groups ensure adequate checks and balances.

An analysis of the Bank's investment portfolio based on credit ratings provided by external rating agencies is as follows:

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
AAA	102,726	113,359	6,807	7,511
AA+	39,657	4,564	2,628	302
AA	3,441	24,471	228	1,621
AA-	24,011	-	1,591	-
A	-	23,042	-	1,527
A-	-	10,744	-	712
BBB-	557,208	287,148	36,918	19,025
BB+ and below	9,152	27,211	606	1,803
Unrated	7,218	7,391	477	489
<b>Total</b>	<b>743,413</b>	<b>497,930</b>	<b>49,255</b>	<b>32,990</b>

#### Credit quality of loan portfolio

The definition of internal risk rating for the loans and advances are given below:

AAA to AA-	:	Highest safety
A+ to A-	:	Adequate safety
BBB+ to BBB-	:	Moderate safety
BB and below	:	Inadequate safety/High risk

The Bank's internal risk rating scale is a measure of relative credit worthiness and does not map exactly with that of external rating agencies.

The exposure detailed below for loans and advances to Banks and Customers are gross of collective and specific impairment.



## Loans and advances to banks

Internal risk rating of loans and advances to banks

Rating	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
AAA to AA-	262,111	162,604	17,366	10,773
A+ to A-	21,078	21,031	1,397	1,393
BBB+ to BBB-	-	537	-	36
BB and below	-	-	-	-
<b>Total</b>	<b>283,189</b>	<b>184,172</b>	<b>18,763</b>	<b>12,202</b>

## Loans and advances to customers

The details of the rating distribution have been provided in the following three categories:

### (a) Internal risk rating of loans and advances to customers

Rating	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
AAA to AA-*	518,408	580,480	34,347	38,460
A+ to A-**	1,056,336	976,144	69,988	64,674
BBB+ to BBB-***	934,234	775,654	61,898	51,391
BB and below	398,053	378,857	26,373	25,101
<b>Total</b>	<b>2,907,031</b>	<b>2,711,135</b>	<b>192,606</b>	<b>179,626</b>

\*Includes loans against FCNR deposits which are fully collateralised.

\*\* Includes USD 177.4 million ( INR 11,754 million) of loans classified as "Strong" (2015: Nil);

\*\*\* Includes USD 18.5 million ( INR 1,226 million) of loans classified as "Good" (2015: Nil); the classification is based on the supervisory slotting criteria under the Basel framework.

### (b) Investments held as loans and receivables which are internally rated:

Rating	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
AAA to AA-	-	-	-	-
A+ to A-	49,529	62,799	3,282	4,161
BBB+ to BBB-	-	-	-	-
BB and below	22,604	26,263	1,497	1,740
<b>Total</b>	<b>72,133</b>	<b>89,062</b>	<b>4,779</b>	<b>5,901</b>

**(c) Investments held as loans and receivables which are externally rated:**

Rating	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
AAA to AA-	31,321	-	2,075	-
A+ to A-	5,609	8,874	372	588
BBB+ to BBB-	29,067	130,762	1,926	8,664
BB and below	-	-	-	-
<b>Total</b>	<b>65,997</b>	<b>139,636</b>	<b>4,373</b>	<b>9,252</b>

The Bank has adopted the standardised approach to Credit Risk Management under the Basel II framework.

**Industry exposure**

The following is an analysis of loans and advances to customers by industry:

Rating	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Industrials	246,202	194,376	16,311	12,879
Consumer Discretionary	345,311	180,975	22,879	11,990
Consumer Staples	207,122	223,126	13,723	14,783
Energy	220,147	461,342	14,586	30,566
Financials	185,473	263,115	12,289	17,433
Gems and Jewellery	172,904	231,313	11,456	15,326
Healthcare	95,147	156,013	6,304	10,337
Information Technology	88,860	93,021	5,887	6,163
Materials	737,878	587,954	48,887	38,955
Real Estate*	331,779	161,050	21,982	10,670
Telecom Services	108,426	64,263	7,184	4,258
Utilities	16,404	19,416	1,087	1,286
Others	510	14,850	34	984
Retail loans**	288,998	289,019	19,148	19,149
<b>Total</b>	<b>3,045,161</b>	<b>2,939,833</b>	<b>201,757</b>	<b>194,779</b>

\*Includes ABS/MBS portfolio held as loans and receivables which have been classified here for both FY2015 and FY2016

\*\* Loans secured against FCNR deposits

## Collateral Management

The Bank has a policy on collateral management and credit risk mitigation which provides guidance for identifying eligible collateral as per the relevant articles of the Capital Requirements Regulation (CRR).

Apart from obtaining eligible collateral for capital relief, the Bank endeavours to reduce or mitigate, to the extent possible, the credit risk on credit facilities by way of securing the facilities with appropriate collateral. The Bank determines the appropriate collateral for each facility based on the type of product, the counterparty and the appropriateness of the collateral typically offered in the jurisdiction of the borrower.

The security accepted by the Bank includes cash deposits, pledge/contractual comfort over equity shares (both listed and unlisted), charges over fixed assets (including plant and machinery and land and building) for term loans, charges over current assets for working capital finance, charges on specific receivables with escrow arrangements, mortgages on residential/commercial property, assignment of underlying project contracts for project finance loans. The Bank also accepts corporate guarantees and related support undertakings from borrower group entities for mitigating credit risk. The Bank has a collateral management policy which details the types of collaterals, frequency of valuation and valuation adjustments. The Bank also has a collateral valuation policy for cases assessed for specific provisions. The Bank applies Basel II guidelines on the collateral available with the Bank for its internally rated portfolio to determine the Loss Given Default (LGD) and haircuts applicable against each collateral for computing the collective provisioning requirements

The Bank's risk appetite framework prescribes limits on the quantum of unsecured exposures.

The CRMP provides guidance on identifying and defining secured facilities and valuing the underlying security. The Bank monitors and reports the proportion of unsecured exposures in the loan portfolio to the ECRC on a monthly basis and to the BCC on a quarterly basis.

The table below provides the value of collateral/collaterals held by the Bank:

Loans and advances to customers	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Collateral value	<u>1,147,608</u>	<u>842,121</u>	<u>76,166</u>	<u>55,795</u>
Gross loans and advances	<u>3,045,161</u>	<u>2,939,833</u>	<u>201,757</u>	<u>194,779</u>
Less: Investments held as loans and receivables	<u>(138,130)</u>	<u>(228,698)</u>	<u>(9,152)</u>	<u>(15,153)</u>
Outstanding balance against which collateral held	<u>2,907,031</u>	<u>2,711,135</u>	<u>192,605</u>	<u>179,626</u>

No collateral is held against loans and advances to banks.

The collateral valuations in the table above are based on the valuation available from the latest available audited financial statements of the organisation, valuation reports for tangible assets wherever applicable, and reports from security trustee/market value of listed shares for loans against the shares. The valuations exclude any charges which might be incurred for selling the collateral.

The maximum amount of on balance sheet credit risk, without taking account of any collateral or netting arrangements, as at March 31, 2016 is approximately USD 4.6 billion (INR 305 billion) (2015: USD 4.1 billion; INR 272 billion). The maximum amount of off balance sheet credit risk on guarantees and letters of credit is approximately USD 346 million (INR 22,924 million) (2015: USD 337 million; INR 22,328 million). Potential credit risk on financial instruments is detailed in Note 19.

The collateral value in the above table excludes the value of such collateral which the Bank may accept to manage its risks more effectively such as a second charge on assets, other liens and corporate guarantees and related support undertakings from borrower group entities. The Bank has applied appropriate haircuts when calculating the collateral value detailed above.

## 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. The Bank's key policies for managing market risk as approved by the Board Risk Committee (BRC) are:

- Treasury policy manual and mandate (TPMM) which also includes the trading book policy statement (TBPS)
- Valuation, model validation policy and independent price verification policy

These policies are designed to ensure that transactions in securities, foreign exchange and derivatives are conducted in accordance with sound and acceptable business practices as well as regulatory guidelines and laws governing such transactions. The policies are reviewed periodically to take into account changed business requirements, the economic environment and revised policy guidelines.

The key market risks to which the Bank is exposed relate to:

- Interest rate risk – Interest rate risk is defined as the risk of loss which the Bank will incur as a result of an increase or decrease in interest rates. Interest income/expense from interest sensitive assets and liabilities are impacted by changes in interest rates. The overall value of the investment portfolio, the underlying value of the Bank's other assets, its liabilities, and off balance sheet (OBS) instruments are also impacted due to changes in interest rates because the present value of future cash flows changes when interest rates change.

Interest rate risk on the balance sheet is measured by the use of re-pricing gap reports and estimating the sensitivity of the Bank's net interest income (defined as Earnings at Risk) to changes in interest rates. The sensitivity is calculated for various interest rate scenarios across different currencies that the Bank's balance sheet is exposed to including a standard scenario of a 200 basis points adverse change in the level of interest rates. The various limits set for interest rate risk are monitored and the utilisations reported to the ALCO and BRC on a periodic basis.

The Bank uses Duration of Equity (DoE) as an all-encompassing measure, which takes into consideration the duration and value of both assets and liabilities. DoE is a measure of interest rate sensitivity, which indicates how much the market value of equity, would change if interest rates change by 1%. Currently a limit band of -2.5 to +2.5 has been prescribed for the overall net DoE of the Bank.

Further, to manage the interest rate risk in the investment portfolio and ineffective derivatives, the bank uses various risk metrics such as value-at-risk (VaR), price value of basis point (PV01) and credit spread per basis point (CS01).

Forex risk – This risk arises due to positions in non-dollar denominated currencies, which in turn arise from assets and liabilities in those currencies. Foreign exchange risk is managed within the Treasury function in accordance with approved position limits. The Net overnight open position (NOOP) of the Bank as at March 31, 2016 was USD 5.0 million (INR 331 million) (2015: USD 6.8 million; INR 451 million). Further, to manage the forex risk, the Bank uses value-at-risk measure.

- Equity Risk – Equity price risk arises due to the volatility of price movements on the Bank's investment in equity shares and convertibles. Threshold triggers are defined for falls in the values of equity investments and an escalation framework is in place. The value of the Bank's equity investments as at March 31, 2016 was USD 4.6 million (INR 305 million) (2015: USD 7.4 million, INR 490 million). The option value of convertibles was USD 0.4 million (INR 27 million) (2015: USD 5.4 million, INR 358 million).

The Bank has devised various risk metrics for different products and investments. These risk metrics are measured and reported to senior management by the Bank's independent Treasury Control & Services Group (TCSG). Some of the risk metrics adopted by the Bank for monitoring its risks are value-at-risk (VaR), duration of equity (DoE), price value of basis point (PV01) and stop loss amongst others. The risk appetite of the Bank includes limits for these risk metrics.

VaR is calculated using a parametric approach at a 99% confidence level over a one day holding period. The total VaR for the Bank's AFS book portfolio as at March 31, 2016 was USD 0.29 million (INR 19 million) (2015: USD 0.11 million; INR 7 million). The maximum, average and minimum VaR during the year for the AFS book portfolio was USD 0.34 million (INR 23 million) (2015: USD 0.16 million; INR 11 million), USD 0.21 million (INR 14 million) (2015: USD 0.08 million; INR 5 million) and USD 0.11 million (INR 7 million) (2015: USD 0.04 million; INR 3 million) respectively.

The impact of an increase in interest rates on investment securities held in the AFS category (bonds, asset backed securities and treasury bills), assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Portfolio size (Market value)	<b>461,380</b>	475,311	<b>30,569</b>	29,707
Change in value due to 100 bps movement in interest rate	<b>(5,535)</b>	(4,451)	<b>(367)</b>	(295)
Change in value due to 200 bps movement in interest rate	<b>(11,071)</b>	(8,901)	<b>(733)</b>	(590)

The impact of a decrease in interest rates on investment securities held in the AFS category (bonds, asset backed securities and treasury bills), assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Portfolio size (Market value)	<b>461,380</b>	475,311	<b>30,569</b>	29,707
Change in value due to 100 bps movement in interest rate	<b>5,483</b>	4,306	<b>367</b>	285
Change in value due to 200 bps movement in interest rate	<b>10,966</b>	8,613	<b>727</b>	571

Volatility in interest rates has an impact on an entity's interest earnings. The impact of an increase/decrease in interest rates on the Bank's net interest income as at March 31, 2016, assuming a parallel shift in the yield curve, has been set out in the following table:

**Equivalent in USD million**
**Equivalent in INR million**

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
USD	2.30	5.11	152.4	338.6
GBP	3.00	6.10	198.8	404.2
EUR	1.40	3.15	92.8	208.7
Other currencies	0.07	0.14	4.6	9.3
<b>Total</b>	<b>6.77</b>	<b>14.50</b>	<b>448.6</b>	<b>960.8</b>

**Equivalent in USD million**
**Equivalent in INR million**

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
USD	1.35	3.64	89.4	241.2
GBP	(2.08)	(11.43)	(137.8)	(757.3)
EUR	(1.25)	(2.30)	(82.8)	(152.4)
Other currencies	(0.07)	(0.14)	(4.6)	(9.3)
<b>Total</b>	<b>(2.05)</b>	<b>(10.23)</b>	<b>(135.82)</b>	<b>(677.8)</b>

The impact of an increase in interest rates on the Bank's net interest income as at March 31, 2015, assuming a parallel shift in the yield curve, has been set out in the following table:

**Equivalent in USD million**
**Equivalent in INR million**

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
USD	4.26	8.52	282.2	564.5
GBP	2.46	4.92	163.0	326.0
EUR	1.64	3.28	108.7	217.3
Other currencies	(0.12)	(0.24)	(8.0)	(15.9)
<b>Total</b>	<b>8.24</b>	<b>16.48</b>	<b>545.9</b>	<b>1,091.9</b>

### Equivalent in USD million

### Equivalent in INR million

Currency	Impact on Net Interest Income over a one year horizon		Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
USD	(1.88)	(2.90)	(124.6)	(192.1)
GBP	(3.35)	(11.39)	(222.0)	(754.6)
EUR	(0.98)	(1.94)	(64.9)	(128.5)
Other currencies	0.11	0.22	7.3	14.6
Total	(6.10)	(16.01)	(404.2)	(1,060.6)

### Liquidity risk

Liquidity risk arises due to insufficient available cash flows including the potential difficulty of resorting to the financial markets in order to meet payment obligations. The Bank differentiates liquidity risk between funding liquidity risk and market liquidity risk.

Funding liquidity risk is the risk that the Bank will not be able to efficiently meet cash flow requirements in a timely manner for its payment obligations including liability repayments, even under adverse conditions, and to fund all investment/lending opportunities, even under adverse conditions. Market liquidity refers to a Bank's ability to execute its transactions and to close out its positions at a fair market price. This may become difficult in certain market conditions either because of the underlying product itself or because of the Bank's own creditworthiness.

The Bank's liquidity risk management philosophy 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.

The Bank maintains a diversified funding base comprising retail, corporate customer deposits and institutional balances. These deposits are augmented by wholesale deposits, borrowings and through issuance of bonds and subordinated debt from time to time. Loan maturities and sale of investments also provide liquidity. Further, the Bank holds unencumbered, high quality liquid assets to protect against stress conditions.

The Bank monitors and manages its overall liquidity risk appetite by ensuring that it maintains adequate liquid assets for projected stressed outflows under various scenarios and also ensures that its liquidity gap position is within the approved limit for the various time buckets. This framework is further augmented by defining risk limits for certain liquidity risk drivers. ALCO and BRC review these parameters on monthly and quarterly basis respectively.

The Bank mitigates the risk of a liquidity mismatch in excess of its risk appetite by managing the liquidity profile of the balance sheet through both short-term liquidity management and a long-term funding strategy. Short-term liquidity management is considered from two perspectives; firstly, business as usual and secondly, stressed conditions, both of which relate to funding in the less than one year time horizon. Longer term funding is used to manage the Bank's strategic liquidity profile which is determined by the Bank's balance sheet structure.

The Bank uses various tools for measurement of liquidity risk including the statement of structural liquidity (SSL), dynamic cash flow reports, liquidity ratios and stress testing through scenario analysis. The SSL is used as a standard tool for measuring and managing net funding requirements and for assessing the surplus or shortfall of funds in various maturity buckets in the future. The Bank also prepares dynamic cash flow reports, which in addition to scheduled cash flows, also consider the liquidity requirements pertaining to incremental business and the funding thereof.

As part of the stock and flow approach of monitoring liquidity, the Bank monitors certain liquidity ratios covering various liquidity risk drivers inter-alia short-term liquidity risk, structural mismatch risk, wholesale funding risk, off

balance sheet risk and non-marketable assets risk. The Bank places particular emphasis on the withdrawable funding ratio and the customer advances to total assets ratio. The withdrawable funding ratio indicates the proportion of deposits that can be withdrawn by customers without providing notice to total funding resources. The ratio as at March 31, 2016 was 0.27 (0.21 as at March 31, 2015). The customer advances to total assets ratio provides a measure of the structural liquidity of the Bank's asset portfolio. The ratio as at March 31, 2016 was 0.63 (0.66 as at March 31, 2015).

The Bank has implemented the CRD IV liquidity guidelines as specified by PRA. As per the guidelines, the Bank has prepared an Internal Liquidity Adequacy Assessment Process (ILAAP) document outlining the liquidity risk appetite of the Bank. The ILAAP document sets out the framework used to ensure that the Bank maintains sufficient liquidity at all times, including periods of stress. This has been done through the robust liquidity stress testing under various identified scenarios. Under each scenario, the Bank assesses the behavior of each liquidity risk drivers and estimates the amount of liquidity required to mitigate net stress outflows. The stress testing is carried out daily. The results of the stress test are reported to the ALCO and BRC & Board on a monthly and quarterly basis respectively. Further, from October 1, 2015 the Bank maintains Liquidity Coverage Ratio (LCR) as stipulated by the PRA.

The Bank also has a liquidity contingency plan (LCP) which details the overall approach and actions the Bank would undertake in order to manage the Bank's liquidity position during stressed conditions. The LCP addresses both the funding and operational requirements of the Bank and sets-out a funding, operational and communication plan to enable the Bank to deal with a liquidity crisis. In summary, the Bank seeks to follow a conservative approach in its management of liquidity and has in place, a robust governance structure, policy framework and review mechanism to ensure availability of adequate liquidity even under stressed market conditions.

Refer Note 40 for details on the cash flow payable under contractual maturity.

### **Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. 'Compliance and legal' risk which is defined as the risk that arises from a failure or inability to comply with the laws, regulations or voluntary codes applicable to the financial services industry and 'conduct' risk, which includes risks arising from unfair treatment and delivering inappropriate outcomes to its customers, are also considered within the ambit of operational risk.

The management of operational risk within the Bank is governed by the Operational Risk Management Policy (ORMP) which is reviewed and approved by the Board Risk Committee (BRC) on an annual basis. It covers the aspects pertaining to minimizing losses due to process failures including inadequate training to staff, flaws in product designs that can expose the Bank to losses due to fraud, impact of failures in technology/systems and continuity in the Bank's operations. Operational risk elements covered in the ORMP include operational risk incident management including reporting, techniques for risk identification, assessment and measurement, monitoring through key risk indicators and risk mitigation techniques.

The Compliance, Conduct and Operational Risk Management Committee (CORMAC) comprising of the senior management is responsible for the mitigation of operational risk including fraud risk within the Bank by the creation and maintenance of an explicit operational risk management process. The CORMAC meets at least on a monthly basis to track and monitor the progress of the implementation of various elements of the ORMP. A report on the activities of the various CORMAC meetings held is presented to the BRC on a semi-annual basis. The CORMAC is additionally responsible for reviewing and monitoring the financial crime prevention performance of the Bank. It approves the Bank's fraud governance framework and fraud compensation proposals and monitors the progress of reported fraudulent transactions. A report on fraud loss incidences is separately presented to the Board on a quarterly basis by the Fraud Crime Prevention Team.

The Bank has determined and articulated Operational Risk Appetite (ORA) which has been defined as the acceptable maximum level of Operational Risk (OR) that the Bank is willing to accept in pursuit of its strategic objectives, taking into account the interest of its stakeholder as well as regulatory requirements. It has been expressed both in quantitative and qualitative terms. The Bank has expressed its ORA as a percentage of a financial parameter of the Bank i.e. operating income and operating expenses based on the average level of losses for the previous years and has also taken into account the existing controls and expected future developments/ initiatives. In addition to quantitative



measure, the Bank has also established qualitative measures of ORA both at strategic and business levels. At strategic level, the Bank has set thresholds as acceptable, tolerable and unacceptable in five categories, namely, financial, regulatory, client, reputation and employment practices and personnel safety. The qualitative measures set at business level are based around Risk and Control Self-Assessment (RCSA) results, Key Risk Indicators (KRIs) and Internal Audit and Compliance assessments.

In order to further strengthen and proactively monitor its compliance to the 'Conduct Risk (CR)', the Bank has also defined its 'Conduct Risk Appetite (CRA)' as per the guidelines issued by the regulator and has established both quantitative and qualitative measures of the Conduct Risk. The Bank has defined CRA as the maximum level of conduct risk that the Bank is willing to accept in pursuit of its business objectives. A conduct risk appetite framework balances the need of all stakeholders by acting as both a governor of risk and driver of current and future business strategy.

The objective of a Conduct Risk Appetite framework of the Bank is to identify key conduct risks faced by the Bank and the steps to be taken to mitigate these risks; articulate the governance mechanisms, systems and controls which are in place to mitigate these risks; and review the exposure of the Bank to conduct risks and assist the Board in ensuring that the risk appetite is not breached.

The Bank has established a Conduct Risk Policy which aims to deliver fair and appropriate outcomes as per the Bank's Conduct Risk philosophy. It also articulates the responsibilities of various stakeholders, i.e. the Board, Senior Management and employees towards conduct risks. The Conduct Risk Appetite framework is reviewed at least on an annual basis, in line with the review of strategy of the Bank. The framework will be updated as per changes in the business strategy of the Bank and/or the changing external regulatory developments/expectations.

The Operational Risk Management Group (ORMG) is responsible for coordinating all the operational risk related activities of the Bank including implementing tools for managing operational risk and maintenance of the ORMP.

The Bank has implemented its RCSA approach to identify and ensure effective control of its operational risks. The RCSAs are reviewed periodically as per the CORMAC approved plan in consultation with the business groups and the results of the RCSA exercise are presented to the BRC semi-annually. The Bank manages and monitors level of operational risks for the Bank as a whole and within the various business group by establishing Key Risk Indicators (KRIs) at Bank level and RCSA entity level respectively. Both the KRIs are monitored on a monthly basis. The results of Bank level KRIs are presented to the CORMAC and the BRC on a quarterly basis. In case of entity level KRIs, parameters registering red for three consecutive months along with the action plan are presented to the CORMAC on a quarterly basis. In order to further strengthen and enhance RCSA tool, the entities/groups also self-test the effectiveness of the controls emanating from the RCSAs at least once in a year. The test is sample based and the results are shared with the BRC on a semi-annual basis.

The Bank has implemented a loss data collection, analysis and reporting process for all operational risk loss data (including internal and external fraud) and near miss events. The data is collected from all business and support units in the UK as well as those outsourced to India. Analysis of such data is reported to the CORMAC and the BRC on a quarterly basis.

The Bank has adopted the Basic Indicator Approach for the purposes of calculating its operational risk capital charge as per Basel II. The Bank carries out an operational risk scenario analysis and stress testing exercise for assessing the adequacy of the operational risk capital charge. Various operational risk events based on existing and external loss data, risks identified in RCSAs and internal audit reports, have been assessed which are further used to create seven operational risk scenarios. Each of these scenarios are assessed for probability and financial impact and compared with the operational risk capital charge. The detailed process is mentioned in "quantitative assessment of operational risk drivers" which is reviewed and the results shared with the CORMAC and BRC on an annual basis.

To identify operational risks in new products/processes, all such proposals are required to be approved by the Product and Process Approval Committee (PAC), comprising of senior management after obtaining inputs from all the relevant groups and control functions in the Bank. The ORMG reviews the notes to ensure control, design and operating effectiveness and recommends a risk rating. The existing product/ process notes are also reviewed periodically based on the materiality of changes proposed and/or operational risk rating assigned to the note.

The Bank has developed and implemented a Business Continuity and Crisis Management Plan (BCP) for all business and corporate functions to ensure continued availability of critical business processes in an event of an outage. The BCP also addresses disaster situations and provides necessary guidance to recover and restore critical and important business processes in the event of an external business disruption. It provides guidelines for the plan development accountabilities, testing of the BCP and maintenance of individual plans by the respective groups. The BCP for each individual group has been developed on the basis of a business impact analysis carried out for the individual groups involving identification of critical and important activities and determination of their recovery time objectives. Periodic testing of the BCP is carried out and the results and the updates are shared with CORMAC on a quarterly basis. The Corporate BCP of the Bank (along with the group specific plans for noting) is reviewed and approved by the BRC annually.

The Bank has developed and implemented an Outsourcing Policy to mitigate outsourcing risks and ensure the application of a standardized approach for all outsourcing arrangements entered into by the Bank. Proposed outsourcing arrangements are assessed for their criticality prior to outsourcing. For arrangements deemed to be critical, a detailed assessment is conducted and the proposal is approved by the BRC and pre-notified to the regulator. The performance of vendors is periodically reviewed and assessment reports are presented to the BRC on a quarterly basis by the performance monitoring unit.

#### 40 Cash flow payable under contractual maturity

At March 31, 2016, the contractual maturity comprised

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	35,592	96,472	162,599	308,394	-	603,057
Customer accounts	1,397,193	307,822	335,374	423,631	2,846	2,466,866
Other liabilities	31,892	-	-	-	397	32,289
Derivative financial liabilities	10,993	12,811	13,592	6,262	106	43,764
Accruals and deferred income	24,431	-	-	-	-	24,431
Bonds and medium term notes	108,758	143,425	151,633	114,417	-	518,233
Subordinated debt	4,024	4,024	91,451	188,879	-	288,378
Repurchase Agreements	44,214	-	56,189	52,980	-	153,383
<b>Total Liabilities</b>	<b>1,657,097</b>	<b>564,554</b>	<b>810,838</b>	<b>1,094,563</b>	<b>3,349</b>	<b>4,130,401</b>

At March 31, 2016, the contractual maturity comprised

INR million

	2,358	6,392	10,773	20,432	-	39,955
Deposits by banks	2,358	6,392	10,773	20,432	-	39,955
Customer accounts	92,571	20,395	22,220	28,067	189	163,442
Other liabilities	2,114	-	-	-	26	2,140
Derivative financial liabilities	728	849	901	415	7	2,900
Accruals and deferred income	1,620	-	-	-	-	1,620
Bonds and medium term notes	7,206	9,503	10,046	7,581	-	34,336
Subordinated debt	267	267	6,059	12,514	-	19,107
Repurchase Agreements	2,929	-	3,723	3,510	-	10,162
<b>Total Liabilities</b>	<b>109,793</b>	<b>37,406</b>	<b>53,722</b>	<b>72,519</b>	<b>222</b>	<b>273,662</b>

At March 31, 2015, the contractual maturity comprised

USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	14,745	172,106	158,170	22,027	-	367,048
Customer accounts	1,087,452	292,437	431,473	470,639	2,685	2,284,686
Other liabilities	26,396	-	-	-	550	26,946
Derivative financial liabilities	30,714	14,442	15,025	38,797	838	99,816
Accruals and deferred income	29,408	-	-	-	138	29,546
Bonds and medium term notes	1,075	11,772	53,304	189,448	-	255,599
Subordinated debt	4,024	4,024	8,004	131,481	157,029	304,562
Repurchase Agreements	101,587	100,016	36,244	56,188	-	294,035
<b>Total Liabilities</b>	<b>1,295,401</b>	<b>594,797</b>	<b>702,220</b>	<b>908,580</b>	<b>161,240</b>	<b>3,662,238</b>

INR million

Deposits by banks	977	11,403	10,480	1,459	-	24,319
Customer accounts	72,049	19,375	28,587	31,182	179	151,372
Other liabilities	1,749	-	-	-	36	1,785
Derivative financial liabilities	2,035	957	995	2,570	56	6,613
Accruals and deferred income	1,948	-	-	-	10	1,958
Bonds and medium term notes	71	780	3,532	12,552	-	16,935
Subordinated debt	267	267	530	8,711	10,404	20,179
Repurchase Agreements	6,731	6,627	2,401	3,722	-	19,481
<b>Total Liabilities</b>	<b>85,827</b>	<b>39,409</b>	<b>46,525</b>	<b>60,196</b>	<b>10,685</b>	<b>242,642</b>

The balances as noted above incorporate all cash flows on an undiscounted basis which relates to the principal and future coupon payments (except for trading liabilities and trading derivatives).

The Bank does not have any convertible debt securities as on March 31, 2016 (Nil for March 2015)

#### 41 Fair values of financial assets and financial liabilities

Set out below is a comparison by category of book values and fair values of the Bank's trading and non trading financial assets and financial liabilities as at the year end.

USD 000s

	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015
	Fair value	Book value	Fair value	Book value
<b>Non trading book financial assets and liabilities</b>				
<b>Assets:</b>				
Cash	482	482	598	598
Balances at central banks	500,136	500,136	449,154	449,154
Loans and advances to banks	283,149	283,149	184,146	184,146
Loans and advances to customers	2,958,994	2,962,535	2,883,953	2,878,811
Investment securities	749,941	743,413	498,086	497,930
<b>Liabilities:</b>				
Deposits by banks and customer accounts	3,059,726	3,058,146	2,649,361	2,650,103
Bonds and medium term notes	512,138	511,453	252,327	250,530
Subordinated debts	253,409	234,242	254,658	233,402
Repurchase agreements	153,383	153,383	294,035	294,035
<b>Financial assets and liabilities at fair value through profit and loss</b>				
<b>Assets:</b>				
Derivative financial instruments	40,878	40,878	59,106	59,106
<b>Liabilities:</b>				
Derivative financial instruments	57,355	57,355	110,932	110,932

INR million

<b>Non trading book financial assets and liabilities</b>				
<b>Assets:</b>				
Cash	32	32	40	40
Balances at central banks	33,137	33,137	29,759	29,759
Loans and advances to banks	18,760	18,760	12,201	12,201
Loans and advances to customers	196,048	196,283	191,076	190,736
Investment securities	49,687	49,255	33,001	32,990

	March 31, 2016	March 31, 2016	March 31, 2015	March 31, 2015
	Fair value	Book value	Fair value	Book value
<b>Liabilities:</b>				
Deposits by banks and customer accounts	202,722	202,617	175,533	175,583
Bonds and medium term notes	33,932	33,886	16,718	16,599
Subordinated debts	16,790	15,520	16,872	15,464
Repurchase agreements	10,162	10,162	19,481	19,481
<b>Financial assets and liabilities at fair value through profit and loss</b>				
<b>Assets:</b>				
Derivative financial instruments	2,708	2,708	3,916	3,916
<b>Liabilities:</b>				
Derivative financial instruments	3,800	3,800	7,350	7,350

Notes:

1. Fair value of loans and advances to banks and customers is determined using weighted average margins on market transactions done by the Bank during the year for loans with similar maturity and rating profile. The fair valuation is carried out post segmenting the disbursements done during the year by internal rating and tenor and comparing the pricing on the new disbursements with the existing portfolio. The difference is considered as the fair value adjustment.
2. The fair value of deposits by banks and customers has been estimated using current interest rates offered for deposits of similar maturities.
3. The fair value of debt securities is derived based on prevalent market quotes as at balance sheet date. In case market quotes are not available the Bank has used the internal valuation technique to calculate the fair value. Internal valuation discounts the estimated future cash flows, computed based on the prevailing interest rates and credit spreads in the market.
4. Financial instruments such as other assets and other liabilities are expected to have the similar fair value as the carrying value as these are short term in nature.

## 42 Derivative financial instruments

The Bank enters into various financial instruments as principal to manage balance sheet interest rate and foreign exchange rate risk. These mainly include interest rate swaps and exchange rate related contracts.

Exchange rate related contracts include spot, currency swaps and forward transactions. The Bank's currency swap transactions generally involve an exchange of currencies and an agreement to re-exchange the currency at a future date where the swaps relate to assets and liabilities denominated in different currencies.

The Bank uses derivatives to mitigate interest rate risk. Hedge accounting is applied to derivatives and hedged items when the criteria under section 11 and 12 of FRS 102 have been met. The swaps exchange fixed rate for floating rate on assets/liabilities to match the floating rates paid/received on funding or exchanges fixed rates on funding to match the floating rates received/paid on assets/liabilities. For qualifying hedges, the fair value changes of the derivative are substantially matched by corresponding fair value changes of the hedged item, both of which are recognised in profit and loss.

### Change in fair value under hedge accounting:

As at March 31, 2016, the notional amounts of interest rate swaps and foreign exchange contract designated as fair value hedges were USD 873 million (INR 57,850 million) (2015: USD 1,384 million; INR 91,728 million) and these contracts had a net negative fair value of USD 24.4 million (INR 1,613 million) (2015: net positive fair value of USD 28.1 million; INR 1,862 million).

The notional principal amounts of these instruments are not indicative of the amounts at risk which are smaller amounts payable under the terms of these instruments and upon the basis of the contract or notional principal amount. Derivatives contracts in the non-trading book are used for hedging purposes only and are accounted for on this basis and are executed with bank counterparties for whom volume and settlement limits have been approved. Counterparty group limits are approved for connected exposures.

The methodologies for the valuation of derivative products are defined in the Valuation Policy of the Bank, which has been approved by the Board Risk Committee (BRC) of the Bank. The Bank uses swap rates, cross currency basis spreads and spot rates as inputs for the valuation of currency swaps and foreign exchange forward transactions. Further, the Bank uses swap rates and interest rate basis spreads as inputs for the valuation of interest rate swaps. Inputs are drawn from Reuters on a real time basis. While the currency wise cash flows for currency swaps and forward transactions are discounted with the appropriate swap rate for the respective currency and the applicable cross currency basis spread, cash flows for interest rate swaps are discounted with the appropriate zero rate for the currency. Further, the floating rate cash flows for currency swaps and forward transactions are calculated from the zero rates derived from the swap curve and the appropriate basis spread applicable for the currency. The floating rate cash flows for interest rate swaps are calculated from the zero rates derived from the swap curve and the appropriate interest rate basis applicable for the currency.

The Bank has computed the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 39 thousand (INR 3 million) and USD 17 thousand (INR 1 million) respectively. The CVA and DVA have been computed similar to Basel II collective provisioning using the MTM exposures; rating wise probability of defaults as published by S&P; and 45% loss given default as used in the Basel's foundation IRB approach.

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Change in fair value of hedged items recognised in profit and loss account	(22,001)	55,688	(1,458)	3,690
Investments	671	149	44	10
Borrowings, including repurchase	(9,910)	8,142	(656)	540
Loans and receivable	(434)	1,450	(29)	96
Deposits	(12,328)	45,947	(817)	3,044
Change in fair value of hedged instruments recognised in profit and loss account	21,838	(55,247)	1,447	(3,660)

### Principal amounts of derivative financial instruments

As at March 31, 2016

USD 000s

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange & Cross currency interest rate swaps	342,375	1,328,527	19,190	32,819
Interest rate	530,773	930,749	21,295	10,946
<b>Total</b>	<b>873,148</b>	<b>2,259,276</b>	<b>40,485</b>	<b>43,765</b>

As at March 31, 2016

INR million

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange & Cross currency interest rate swaps	22,684	88,022	1,272	2,174
Interest rate	35,166	61,667	1,411	725
<b>Total</b>	<b>57,850</b>	<b>149,689</b>	<b>2,683</b>	<b>2,899</b>

### Principal amounts of derivative financial instruments

As at March 31, 2015

USD 000s

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange & Cross currency interest rate swaps	545,841	1,559,139	29,016	87,803
Interest rate	838,631	546,169	24,152	12,012
<b>Total</b>	<b>1,384,472</b>	<b>2,105,308</b>	<b>53,168</b>	<b>99,815</b>

As at March 31, 2015

INR million

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange & Cross currency interest rate swaps	36,165	103,301	1,922	5,817
Interest rate	55,563	36,186	1,600	796
<b>Total</b>	<b>91,728</b>	<b>139,487</b>	<b>3,522</b>	<b>6,613</b>

In addition of the above the Bank holds equity options relating to their Foreign Currency Convertible Bonds. As at March 31, 2016 these equity options had a gross positive fair value of USD 0.4 million (INR 27 million) (March 31, 2015 gross positive fair value of USD 5.4 million; INR 358 million). These options are valued based on valuation techniques with observable market inputs and are classified as level 2. The level 3 assets of the Bank mainly include certain interest swaps wherein the valuation is based on single counterparty quotes. Refer to note 21 for details of fair value leveling methodology. There were no transfers of derivative financial instruments between level 1, level 2 and level 3 during the year.

### Derivative financial instruments by valuation method

As at March 31, 2016

USD 000s

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	8	1	-	-
Level 2	19,182	32,818	21,295	10,946
Level 3	-	-	-	-
<b>Total</b>	<b>19,190</b>	<b>32,819</b>	<b>21,295</b>	<b>10,946</b>

As at March 31, 2016

INR million

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	1	0	-	-
Level 2	1,271	2,174	1,411	725
Level 3	-	-	-	-
<b>Total</b>	<b>1,272</b>	<b>2,174</b>	<b>1,411</b>	<b>725</b>

As at March 31, 2014

USD 000

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	2	-	-	-
Level 2	29,014	87,803	24,152	12,012
Level 3	-	-	-	-
<b>Total</b>	<b>29,016</b>	<b>87,803</b>	<b>24,152</b>	<b>12,012</b>

As at March 31, 2014

INR million

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	0	-	-	-
Level 2	1,922	5,817	1,600	796
Level 3	-	-	-	-
<b>Total</b>	<b>1,922</b>	<b>5,817</b>	<b>1,600</b>	<b>796</b>



#### 43 Assets and liabilities denominated in foreign currency

	March 31, 2016 USD 000s	March 31, 2015 USD 000s	March 31, 2016 INR million	March 31, 2015 INR million
Denominated in US Dollars	2,982,475	2,799,412	197,604	185,475
Denominated in Sterling	910,967	702,859	60,356	46,568
Denominated in other currencies	709,815	627,535	47,029	41,577
<b>Total assets</b>	<b>4,603,257</b>	<b>4,129,806</b>	<b>304,989</b>	<b>273,620</b>
Denominated in US Dollars	1,968,877	1,711,170	130,448	113,374
Denominated in Sterling	1,851,100	1,743,221	122,645	115,497
Denominated in other currencies	783,280	675,415	51,896	44,749
<b>Total liabilities</b>	<b>4,603,257</b>	<b>4,129,806</b>	<b>304,989</b>	<b>273,620</b>

The above should not be considered to demonstrate the Bank's exposure to foreign exchange risk due to the existence of compensating exchange rate contracts as discussed in Note 42 which are held for hedging purposes.

#### 44 Post balance sheet events

There have been no material events after the balance sheet date which would require disclosure or adjustments to the March 31, 2016 financial statements.

#### 45 Ultimate parent company and parent undertaking of larger group of which the Bank is a member

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The parent company is incorporated in India. Copies of the group accounts for ICICI Bank Limited can be obtained from the Secretarial Department, ICICI Bank Limited, ICICI Bank Towers, Bandra-Kurla Complex, Mumbai 400051, India.