ICICI BANK UK PLC

Directors' Report and Financial Statements
March 31, 2013
Registered number 4663024

Contents

Directors' report	2
Statement of Directors' responsibilities	9
Report of the independent auditor	10
Profit and loss account	11
Balance sheet	12
Statement of total recognised gains and losses	13
Reconciliation of movements in shareholders' funds	14
Notes	15

Directors' report

The Directors have pleasure in presenting the tenth annual report of ICICI Bank UK PLC, together with the audited financial statements for the year ended March 31, 2013.

Principal Activities

ICICI Bank UK PLC ("the Bank") is a full service bank offering retail and corporate banking services. The Bank is authorised and regulated by the FSA (with effect from April 1, 2013 the Bank will be authorised by 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 delivers its corporate, commercial and retail banking products and services through eleven branches located in the UK and two branches in mainland Europe, located in Antwerp (Belgium) and Frankfurt (Germany) as well as through online banking.

Business Review

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's corporate business mainly includes banking services for Indian corporations seeking to develop their overall business, including in the UK and Europe, as well as for Europe based multinational corporations which have active trade and investment flows with India. 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 and overseas companies looking to invest in India.

The Bank provides retail banking products to UK consumers with a varied product suite including current accounts, savings accounts, online banking, debit cards, money transfers and travel solutions. 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.

In recent years, the Bank has taken proactive steps towards balance sheet consolidation and optimisation and effective liquidity and capital management. During the course of FY2013, the Bank focused on the key strategic objectives of diversification of the business profile, further optimisation of the balance sheet, continued focus on risk management, maintenance of cost discipline and meeting the requirements of the changing regulatory environment. The Bank successfully implemented the strategic objective to embed a long term sustainable business model.

The Bank has a senior debt rating of Baa3 from Moody's Investors Service Limited (Moody's).

The Bank has been managed as a single business. For the purposes of the enhanced business review, however, management has described activity within the individual business segments.

Financial Results

The financial statements for the reporting year ended March 31, 2013 are shown on pages 11 to 58.

Directors' report (continued)

Financial Highlights

The financial performance for the financial year 2013 is summarised in the following table:

Profit and Loss Account

USD 000s, except percentages	Financial 2013	Financial 2012	% Change
Net interest income	**50,892**	58,440	-13%
Non interest income	**29,173**	26,639	10%
Income/(Loss) on financial instruments at fair value through profit and loss	**4,508**	(694)	NA
Total operating income	**84,573**	84,385	0%
Operating expenses	**(36,999)**	(39,170)	-6%
Profit before provisions, charges and taxes	**47,574**	45,215	5%
Impairment provision and charges	**(27,224)**	(4,560)	NA
Profit/(Loss) on sale of debt securities	**(1,192)**	(5,205)	-77%
Profit before tax	**19,158**	35,450	-46%
Profit after tax	**14,383**	25,390	-43%

Balance Sheet

USD 000s, except percentages	Financial 2013	Financial 2012	% Change
Loans and advances to banks	**661,884**	301,504	120%
Loans and advances to customers	**2,282,972**	2,387,707	-4%
Investments	**525,655**	1,173,254	-55%
Total assets	**3,587,306**	4,084,322	-12%
Customer accounts	**1,799,281**	2,411,464	-25%
Shareholders' funds	**622,172**	709,640	-12%

Capital

Ratios	Financial 2013	Financial 2012	Increase
Core Tier 1 ratio	**19.3%**	19.7%	0.4%
Tier 1 ratio	**19.3%**	21.2%	1.9%
Total ratio	**30.8%**	32.4%	1.6%

USD 000s, except percentages	Financial 2013	Financial 2012	% Change
Risk weighted assets	**3,215,879**	3,436,999	-6%

Directors' Report (continued)

Key strategic highlights: FY2013

During FY2013, the Bank continued with its strategy of diversification of the asset and liability portfolio, development of granular revenue streams and increase in operating efficiencies. The Bank further focused its efforts on specific business segments, which are aligned with its core competencies and strengths, and are also within the risk appetite of the Bank. During the year, the Bank further enhanced its risk appetite framework and related governance and monitoring arrangements to ensure it continues to operate within the appropriate risk appetite. The Bank has laid the building blocks to overcome the challenging economic and regulatory environment through further transformation of the risk profile of the asset portfolio and client and funding profile with a view to building a stable and sustainable business model for future years.

The total balance sheet reduced by 12% in FY2013 at USD 3,587 million. Loans and advances to banks increased by 120% due to placements with the Bank of England reserve fund account.

There was a similar reduction in the UK Gilts portfolio, which were replaced with the Bank of England balances. Due to the reduction in the UK Gilts portfolio, the investment book has shown a reduction of 55% compared with last year.

The loans and advances to customers reduced by 4%, mainly on account of reduction in the Foreign Currency Convertible Bonds (FCCB) portfolio due to maturities and the reduction in the Mortgage Back Securities (MBS) portfolio due to repayments and redemptions. This reduction was partially offset with the increase in the corporate loan portfolio, which grew by 7% compared with last year. During the year, the Bank remained focused on balancing geographical and industrial concentration as well as improving the rating profile of its asset portfolio. In consideration of the weak economic and business environment, selective credits were extended during the year within the risk appetite of the Bank. The Bank also remained focused on further strengthening the trade and commercial banking business.

Customer deposit balances reduced by 25% during the year mainly on account of maturities of term deposits. The Bank successfully diversified and broadened its funding profile and reduced the cost of funds by leveraging the wholesale funding channel. Further, the Bank raised funding through repurchase agreements.

In line with the Bank's strategy, specific focus was given to enhancing the granularity of income streams by building scale in several non interest income generating businesses. Several business initiatives, such as "Money to India (M2I) Europe" remittance platform, "Travel Money", "Travel card" and "Investments services" have contributed to the diversification of the overall income streams of the Bank. Remittance volumes under M2I Europe registered significant growth thereby enhancing revenues.

The Bank continued to remain focused on enhancing operating efficiencies without compromising on the control environment. Several initiatives were taken such as renegotiations with vendors and rationalisation projects to optimise the expense base. Expenses showed a drop of 6% compared to the previous financial year. The Bank remains committed to maintain a strong control framework to meet the increasing regulatory and reporting obligations and continued to invest in people and technology to further strengthen the control framework.

The capital, funding and liquidity positions remained healthy throughout FY2013. The Bank had surplus capital, compared to the regulatory capital requirements and in January 2013, the Board took a decision to return some of the surplus capital to the Parent Bank. Consequently, the Bank redeemed USD 50 million of preference capital and returned USD 50 million of equity share capital post receipt of requisite approvals. Post returning of the equity capital of USD 50 million and redemption of preference share capital of USD 50 million, the capital adequacy at 30.8% remains strong as at March 31, 2013 with Tier 1 capital ratio of 19.3%. The Bank paid USD 20 million of equity dividend and USD 4.1 million of preference dividend during the financial year.

Key Financial highlights: FY2013

As at March 31, 2013, the Bank had total assets of USD 3,587 million compared with USD 4,084 million as at March 31, 2012. Profit before tax in FY2013 was USD 19.2 million, contributed by total operating profits before provisions and taxes of USD 47.6 million. The provisions booked during the year were USD 27.2 million. Total operating income at USD 84.6 million remained flat compared with the previous year, with non interest income growing by 10% to USD 29.2 million. The growth in non interest income was achieved due to the Bank's focus on commercial banking products and

Directors' Report (continued)

successful pick up of revenues from M2I Europe remittances. Net interest income reduced by 13% compared with last year due to reduction in the balance sheet size. Net interest income margins at 1.4% improved as compared to the previous year by 20 bps driven by a reduction in the cost of funds which more than offset the reduction in the yield on assets. The cost of funds reduced during the year due to maturities of high cost liabilities and realignment of the liabilities portfolio through raising of wholesale borrowings and repo funding.

Disciplined cost management and process efficiencies resulted in a reduction in operating expenses by 6% compared with the previous year.

Specific impairment provisions of USD 7.0 million for investments and USD 18.6 million for corporate loans were booked during the year. The impaired assets coverage ratio rose from 27% to 35% compared with the previous financial year. Due to the weak credit and market environment, the Bank booked higher impairment provisions compared with the previous year. During the year, the collective provision booked for loan impairments was USD 1.6 million.

Corporate and Commercial Banking

The Corporate Banking division continued its focus on the strategy of selective growth of the loan portfolio in line with the risk appetite of the Bank. The Bank maintained a close focus on key client relationships, while continuing to focus on its strategy around segments and products which are core to the Bank's competencies and strategy. In this respect, the Bank targeted the European market through new relationships with subsidiaries of selected Indian companies and large multinational companies, including global trading houses. In terms of product areas, emphasis was placed on expanding commercial banking volumes.

The Bank's business in Frankfurt, Germany has also been growing steadily, leveraging on expanding Europe-India business opportunities. During FY2013, the Bank established new corporate banking relationships in the German market and increased the funded asset portfolio. Given the large volume of trade between India and Germany, the Bank remained focused on participating in lending opportunities emanating from such trade activities.

Retail Banking

In line with the strategy of balance sheet optimization and rebalancing of the liability portfolio, the retail customers' balances reduced during the year. This was achieved by a measured reduction in pricing on its fixed rate accounts. The Bank's retail customer account balances stood at USD 1.8 billion as at March 31, 2013 (March 31, 2012: USD 2.4 billion). This was accompanied by a focus on improving the ratio of current and savings balances to term deposit balances. This was achieved through the introduction of new products and targeted promotional campaigns, resulting in current and savings balances increasing to around 40% of total retail liabilities (2012: 32%).

Retail fee income, driven primarily through the Bank's branches, grew in FY2013. Certain fee initiatives gained scale in the year, such as business banking and travel solutions. The Bank's travel money service was nominated for the best travel money services by British Travel Awards under the category "Best Travel Money Retailer". New initiatives launched in the year included an online execution only investments platform and outward clearing services for ICICI Bank Limited. The Bank also entered into a distribution arrangement with VFS, a visa processing unit in the UK, for distribution of financial services products at its various centres, including a rupee travel card. The retail unit also succeeded in growing rupee deposits from UK clients to ICICI Bank Limited, accompanying this with launches of innovative services, such as a rewards program and One View service, allowing UK clients to view both their India and UK account balances through one internet banking login. The remittance platform launched for Europe demonstrated an encouraging pick up in volumes. Focus on operating efficiencies was maintained.

Treasury

The Treasury function of the Bank focuses on managing the balance sheet, supporting the capital needs and managing the market and liquidity risk of the Bank. The Bank continues to comply with and maintains Liquidity

Directors' Report (continued)

Asset Buffer (LAB) balances in line with the Individual Liquidity Guidance (ILG) stipulated by the FSA. 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 Committee (ALCO) of the Bank. In line with the strategy of diversification of funding sources, the Bank focused on exploring alternate sources of funding such as repos in order to ensure an optimal composition of the sources of funds. The Bank leveraged opportunities in the wholesale borrowings market by raising bilateral loans and borrowings under the MTN program at competitive cost of funds. These activities have led to a reduction in the overall cost of funds of the Bank.

The Treasury function manages the investment portfolio of the Bank. Treasury activities are carried out through the Balance Sheet Management desk, the Investment desk, Global Markets Group (GMG) and Foreign Currency Convertible Bonds (FCCB) desk.

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 Bank has 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, particularly at a time when the regulatory regime is undergoing considerable change. The Bank maintains its focus on controls, governance, compliance and risk management to provide a sound foundation for the business. The Bank continues to ensure embedding of a controls and compliance culture throughout the organisation 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 remained focused on maintaining strong governance and controls structure. During the year, one new independent Non Executive Director was appointed to the Board to replace the Director who completed his tenure with the Bank. The Bank also appointed an experienced new Head of Internal Audit and a new Head of Risk.

The Bank has embedded a conduct risk appetite and a conduct risk philosophy. 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 to its customers. 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.

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.

Directors' Report (continued)

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, as well as to the Risk Management Group of the Parent Bank.

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 reputation risk. The risk appetite statement has been further drilled down into portfolio-level limits, which include limits on country of risk and 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 the same 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 the risk appetite limits at all times.

The Bank has developed a comprehensive risk management framework, covering all relevant risks, 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 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, liquidity risk and operational risk (including compliance, conduct and reputation risk). In its lending operations, the Bank is principally exposed to credit risk which results in the largest regulatory capital requirements. Credit risk is the risk of loss that may occur from the failure of any customer or counterparty to make the required payments due to the Bank as and when they fall due. The main market risks facing the Bank are interest rate risk arising due to adverse movements in the interest rates, exchange rate risk on foreign currency positions and liquidity risk arising due to the potential difficulty of accessing the financial markets to meet day to day business requirements. Liquidity risk is the risk that the Bank may not be able to generate sufficient cash flows at a reasonable cost to meet expected and/or unexpected claims. It arises from funding, lending, trading and investment activities and management of trading positions. 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 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. Conduct risk is defined as the risk from unfair treatment and delivering inappropriate outcomes to the Bank's customers. Both these risks are also considered within the ambit of operational risk.

As part of its strategy, the Bank has continued to diversify its asset base, improve its asset quality by increasing the proportion of higher rated loans (internally rated A- and above) in its loan book and reduce key concentrations in the portfolio (such as geographical and counterparty concentration) over the last year.

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 33.

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

Share Capital

During the year ended March 31, 2013, the Bank redeemed USD 50 million of the preference capital and returned USD 50 million of equity share capital to the Parent. As at March 31, 2013, the issued and fully paid share capital amounted to USD 495 million.

Employees

As at March 31, 2013 the Bank had 203 employees. The Bank encourages the involvement of all employees in the

Directors' Report (continued)

Bank's overall performance and profitability. The Bank has a pension scheme operating in the UK in which the employees are entitled to a minimum of five percent contribution of their basic salary. All 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 employees and their dependents.

The Bank is committed to employment practices and policies which recognise the diversity of its workforce and ensures 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 recognises its social and statutory duty to employ disabled persons and has followed a policy of providing the same employment opportunities for disabled persons as for others.

The Bank follows a conservative and comprehensive approach towards rewards management. The Bank has adopted and implemented a Remuneration Policy which has been approved by the Board Governance and Ethics Committee. The Bank ensures that it adheres to the Remuneration Code guidelines published by the Financial Services Authority. The Bank's remuneration policy disclosures are made available on the Bank's website: http://www.icicibank.co.uk/personal/basel_disclosures.html

Political and charitable contributions

The Bank made no charitable and political contributions during the financial year 2013 (financial year 2012: Nil).

Payment to Creditors

The Bank has a regular cycle of obtaining services and releasing payment to creditors and suppliers. The Bank honours payment to its creditors and suppliers as per agreed terms and conditions and within agreed time frame as stipulated in the contract.

Directors

The names of the Directors as at the date of this report and those who served during the year are as follows:

Mrs. Chanda Kochhar	Chairperson of the Board
Mr. N.S. Kannan	Non Executive Director
Dr. Mohan Lal Kaul	Independent Non Executive Director (until June 30, 2012)
Mr. Richard Banks	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 (Effective July 23, 2012)
Mr. Suvek Nambiar	Managing Director and CEO (until June 30, 2012)
Mr. Sudhir Dole	Managing Director and CEO (Effective July 03, 2012)

During the financial year, Dr. Mohan Kaul retired from the Non Executive Director position of the Bank. Mr. Suvek Nambiar completed his tenure as the MD & CEO on June 30, 2012 and Mr. Sudhir Dole took over as the MD & CEO effective July 03, 2012.

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

As KPMG Audit Plc has instigated an orderly wind down of its business, in accordance with Section 489 of the Companies Act 2006, a resolution for the 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 25, 2013
Registered address: One Thomas More Square, London E1W 1YN

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

The Directors are responsible for preparing the 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 the statements give a true and fair view of the assets, liabilities, financial position and 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 25, 2013

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, 2013 set out on pages 15 to 58. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 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 Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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 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 (APB'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 web-site at 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, 2013 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
April 25, 2013

Profit and Loss Account

for the year ended March 31, 2013

	Note	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Interest income and similar income arising on debt securities		**14,050**	21,078
Other interest income and similar income		**127,875**	175,104
Interest expense		**(91,033)**	(137,742)
Net interest income		**50,892**	**58,440**
Fees and commissions receivable		**19,041**	16,514
Foreign exchange revaluation gains		**9,435**	9,277
Income/(Loss) on financial instruments at fair value through profit and loss	5	**4,508**	(694)
Other operating income	6	**697**	848
Operating income		**84,573**	**84,385**
Administrative expenses	7	**(35,523)**	(37,630)
Depreciation	20	**(1,476)**	(1,540)
Specific impairment on investment securities	18	**(7,015)**	(8,916)
Impairment on loans and advances	17	**(20,209)**	4,356
Profit/(Loss) on sale of debt securities		**(1,192)**	(5,205)
Profit on ordinary activities before tax		**19,158**	35,450
Tax on profit on ordinary activities	10	**(4,775)**	(10,060)
Profit on ordinary activities after tax		**14,383**	**25,390**

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

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Preference Dividend	**(4,125)**	(4,125)
Ordinary shares Dividend	**(20,000)**	(20,000)

The result for the year is derived entirely from continuing activities.

The notes on pages 15 to 58 form part of these financial statements.

Balance Sheet

As at March 31, 2013

	Note	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Assets			
Cash		**565**	1,255
Balances at central banks		**583,227**	67,183
Loans and advances to banks	14	**78,657**	234,320
Loans and advances to customers	15	**2,282,972**	2,387,707
Investment in Treasury Bills	18	**101,988**	693,723
Investment Securities other than Treasury Bills	18	**423,667**	479,531
Tangible fixed assets	20	**7,172**	8,487
Other assets	21	**93,402**	182,211
Accrued income		**15,656**	29,905
Total Assets		**3,587,306**	**4,084,322**
Liabilities			
Deposits by banks	22	**288,768**	318,651
Customer accounts	23	**1,799,281**	2,411,464
Debt securities and subordinated liabilities	24	**528,070**	372,621
Other liabilities	26	**106,591**	222,742
Accruals and deferred income		**34,464**	49,204
Repurchase Agreements	25	**207,960**	-
Total Liabilities		**2,965,134**	**3,374,682**
Shareholders' funds:			
Ordinary share capital	27	**495,095**	545,095
Preference share capital	27	**-**	50,000
Capital Contribution		**4,148**	3,151
Retained earning		**89,536**	149,278
Capital Redemption Reserve		**50,000**	-
Available for sale reserve		**(16,607)**	(37,884)
Total Equity		**622,172**	**709,640**
Total Equity and Liabilities		**3,587,306**	**4,084,322**

The notes on pages 15 to 58 form part of these financial statements

These financial statements were approved by the Board of Directors on April 25, 2013 and were signed on its behalf by:

Sudhir Dole
Managing Director & Chief Financial Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

ICICI Bank UK PLC
Registered number 4663024

Statement of total recognised gains and losses

for the year ended March 31, 2013

	Note	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Profit on ordinary activities after tax		**14,383**	**25,390**
Movement in available for sale reserve			
- Movement in fair value during the year		27,996	30,020
Movement in available for sale reserve		**27,996**	**30,020**
Taxation relating to available for sale reserve	10	(6,719)	(6,027)
Net movement in available for sale reserve		21,277	23,993
Total gains and losses recognised		**35,660**	**49,383**

The notes on pages 15 to 58 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended March 31, 2013

	Issued Share Capital USD 000s	Profit and Loss Account USD 000s	Capital Redemption Reserve USD 000s	Available for Sale Reserve USD 000s	Other USD 000s	Total USD 000s
As at April 1, 2011	**595,095**	**148,013**	**-**	**(61,877)**	**2,131**	**683,362**
Capital Contribution (Share based payments)	-	-	-	-	1,020	1,020
Unrealised gain on available for sale securities	-	-	-	30,020	-	30,020
Tax impact	-	-	-	(6,027)	-	(6,027)
Profit on ordinary activities after tax	-	25,390	-	-	-	25,390
Preference dividend paid during the year	-	(4,125)	-	-	-	(4,125)
Equity dividend paid during the year	-	(20,000)	-	-	-	(20,000)
As at April 1, 2012	**595,095**	**149,278**	**-**	**(37,884)**	**3,151**	**709,640**
Capital Contribution (Share based payments)	-	-	-	-	997	997
Redemption of Preference share capital	(50,000)	(50,000)	50,000	-	-	(50,000)
Reduction in Equity share capital	(50,000)	-	-	-	-	(50,000)
Unrealised gain on available for sale securities	-	-	-	27,996	-	27,996
Tax impact	-	-	-	(6,719)	-	(6,719)
Profit on ordinary activities after tax	-	14,383	-	-	-	14,383
Preference dividend paid during the year	-	(4,125)	-	-	-	(4,125)
Equity dividend paid during the year	-	(20,000)	-	-	-	(20,000)
Closing shareholders' funds as at March 31, 2013	**495,095**	**89,536**	**50,000**	**(16,607)**	**4,148**	**622,172**

The notes on pages 15 to 58 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

(a) Statement of Compliance

The financial statements of the Bank have been prepared in accordance with the UK GAAP as issued by the Accounting Standards Board (including FRS 26 Financial instruments Recognition and measurement and FRS 29 Financial Instruments Disclosures).

(b) Basis of preparation

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.

(c) Functional and presentation currency

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.

(d) Cash flow exemptions

Under FRS 1 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 40).

(e) 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 FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of ICICI Bank Limited (see Note 40).

(f) 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 a liquid asset buffer (LAB). With regard to Capital, the Bank maintains a capital buffer over regulatory capital requirements. The Bank's risk management policies and procedures are outlined in Note 33.

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The Parent Bank has issued a letter of comfort to the Bank's regulator, the Financial Services Authority (FSA), 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.

(d) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not classified as at fair value through profit or loss, incremental direct transaction costs. 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.

(e) 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 assets are recognised at trade date, being the date on which the Bank commits to purchase or sell the assets.

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

(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 write-offs: The Bank writes off its exposure in full when the Bank has pursued all remedies available to it and all underlying processes to recover have been exhausted. Write off may also be considered when a recovery is not anticipated to be made for at least twelve months and the interest is not being serviced. 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 does 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 is recognised in profit or loss. Any recovery related to a written off asset is recognised in the profit and 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 18 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; or

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.

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 equity since it cannot be reversed through the profit and loss account.

(k) Reclassification of financial assets

The amendment to FRS 26 issued on October 10, 2008 permits 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 permits 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.

(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 26 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.

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.

(m) 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.

(n) 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.

(o) Tangible assets and software

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 and software on a straight-line basis over their estimated useful economic life 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

Depreciation methods, useful life and residual values are reviewed at each balance sheet date.

(p) 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.

(q) Deposits, debt securities issued and subordinated liabilities

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

(r) 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 FRS 19 "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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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. 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.

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. In line with ICICI Bank Limited group policy, the Bank considers past due cases as impaired if the principal or interest on a loan is ninety days overdue as at the end of the quarter and the Bank does not have a realistic prospect of recovery of the amounts outstanding in the near term. The objective of the policy is to maintain a prudent 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 26, 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 include only those 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 based on the most recent valuation available. 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.

ii) Restructured / renegotiated 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.

During the year ended March 31, 2013 the Bank had renegotiated/restructured loans amounting to USD 24.3 million.

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 26 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 of that rating band.

In the absence of an adequate default history of its own 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 portfolio. For the internally rated corporate portfolio, the Bank has used the average one year PDs for each rating category based on data from the Parent Bank's portfolio from FY2004 onwards (from FY2004 to FY2012 for the collective impairment exercise for FY2013). For the externally rated Asset Backed Securities (ABS) held as loan, 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. For the internally rated portfolio, the LGD has been assumed at 45.0% in line with Basel-II provisions for senior unsecured debt, while for the externally rated portfolio, the LGD has been assumed at 50.0% based on S&P's experience of recovery rates among global corporates.

The historical average PD data being used are 'through the cycle' default rates and capture periods of low economic activity when relatively higher default rates were observed in the Parent Bank's portfolio. The Bank has conservatively assumed LGD in excess of historic specific provisioning levels to estimate the loss in its portfolio. Further the Management of the Bank assesses the portfolio for any additional provisioning (referred to as 'management overlay') on a particular segment of/specific assets in the portfolio based on risk concentration and conservative estimate of losses. A management overlay may be considered when the specific impairment testing of an impaired asset assesses no currently observable impairment loss based on security cover and collateral value.

As on March 31, 2013 the Bank had a collective impairment allowance of USD 17.2 million.

(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, 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. A significant or prolonged decline in the fair value of an available for sale equity investment below its cost is evidence of impairment considered by the Bank.

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.

5 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, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Income on other financial assets	**436**	1,423
Realised/unrealized gains/(losses) on derivative instruments	**4,072**	(2,117)
Total	**4,508**	**(694)**

Other financial assets include credit linked notes, 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. The realised gains on derivative instruments have been booked mainly on account of maturities of FCCBs.

6 Other operating income

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

7 Administrative expenses

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Staff costs (including Directors' emoluments):		
Wages and salaries	19,184	20,284
Social security costs	1,982	2,124
Other administrative expenses	14,357	15,222
Total	**35,523**	**37,630**

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

	Year ended March 31, 2013 No. of Employees	Year ended March 31, 2012 No. of Employees
Management	43	42
Non Management	160	169
Total	**203**	**211**

8 Profit on ordinary activities before tax is stated after charging

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Auditor's remuneration		
Fees payable to the Bank's statutory auditors and their associates for the audit of Bank's annual accounts	452	496
Fees payable to the Bank's statutory auditors and their associates for other services:		
Audit related assurance services	437	476
Tax compliance services	47	76
Total	**936**	**1,048**

The auditor's fee analysis has been re-categorised to reflect the revised guidance provided in Tech04/11FRF.

9 Segmental reporting

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

10 Taxation

(a) Analysis of charge in the year

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Current tax		
UK Corporation tax[1] at 24% (2012: 26%) on the taxable profit for the year	3,198	8,215
Overseas corporation charge	1,457	1,293
	4,655	**9,508**
Adjustments for prior years	(320)	38
	4,335	**9,546**
Deferred tax		
Origination and reversal of timing differences	440	514
Tax on profit on ordinary activities	**4,775**	**10,060**

(b) Factors affecting the tax charge for the current year

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Current tax reconciliation		
Profit on ordinary activities before tax	19,158	35,450
Current tax at 24% (2012: 26%)	**4,598**	**9,217**
Add effects of:		
Expenses not deductible for tax purposes	241	230
Other timing differences (FRS 26 Impact)	(287)	(370)
Timing difference on movement of collective provisions for bad and doubtful debts	(51)	(55)
Depreciation less than capital allowances for the year	154	106
Overseas taxes (net of overseas tax credit relief)	-	380
Adjustment for prior year	(320)	38
Total current tax charge (see 10 (a) above)	**4,335**	**9,546**

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

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Balance as at March 31	1,620	2,134
Debit to profit and loss account :		
Reversal of Deferred tax asset	(389)	(380)
Debit to available for sale reserves :		
Rate differential from 24% to 23%	(51)	(134)
Adjustments for prior year	-	-
Balance as at March 31[2]	**1,180**	**1,620**

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

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Collective provision	147	205
Effect of FRS 26		
- Fees Income amortisation	597	829
- Recognition of fair value of derivatives	231	321
Excess of tax written down value over book value of tangible fixed assets	205	265
Total	**1,180**	**1,620**

(e) Taxation relating to available for sale reserve

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Provision for tax for current year	(6,719)	(6,027)
	(6,719)	**(6,027)**

[1]The UK corporation tax rate reduced from 26% to 24%, effective from April 1, 2012 and a further change to 23%, effective from April 1, 2013 was substantively enacted during the period. The deferred tax asset at March 31, 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

[2]As per the 2013 Budget announcement on 20 March 2013, it was stated that the UK corporation tax rate will reduce to 21% by 2014 and 20% by 2015. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction. Although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

11 Emoluments of Directors

	Year ended March 31, 2013 USD 000s	Year ended March 31, 2012 USD 000s
Directors' fees and gross emoluments	**809**	911

The gross emoluments[1] of the highest paid director were USD 444,465 (2012: USD 549,791) excluding share based payments. Contributions on behalf of a director under a money purchase pension scheme amounted to USD 21,230 (2012: USD 20,362). The number of stock options[2] granted to the highest paid director during the year was Nil (2012: 20,000).

[1]Gross emoluments include base salary and performance bonus

[2]Refer note 12 for the details of the stock option scheme.

12 Share-based payments

During the year, USD 0.99 million was charged to the profit and loss account in respect of equity-settled share-based payment transactions (2012: USD 1.02 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 2009 vest in a graded manner over a five-year period, with 20%, 20%, 30% and 30% of the grants vesting in each year, commencing from the end of 24 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.

Particulars of options granted to employees of ICICI Bank UK PLC up to March 31, 2013 are given below:

	March 31, 2013 Number (000s)	March 31, 2012 Number (000s)
Outstanding at the beginning of the year	801	694
Additions during the year	97	107
Outstanding at the end of the year	**898**	**801**

Calculation of fair values

Fair values of stock options/awards, measured at the date of grant of the option/award, are calculated using a binomial tree model. The expected life of options depends on the behaviour of option holders, which is incorporated into the option model on the basis of historic observable data. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used. Expected dividends are incorporated into the valuation model for stock options/awards, where applicable. The significant weighted average assumptions used to estimate the fair value of the options granted were as follows:

	Year ended March 31, 2013 Range	Year ended March 31, 2012 Range
Risk-free interest rate[1] (%)	8.01-8.87	7.99-8.37
Expected term[2] (years)	6.35	6.35
Expected volatility[3] (%)	49.55	49.03
Expected dividend yield (%)	1.96	1.26
Share price at grant date (INR)	841.45	1,106.85

[1]Risk free interest rates over the expected term of the option are based on the Indian government securities yield in effect at the time of the grant.

[2]Expected term is not a single input parameter but a function of various behavioural assumptions. The expected term of an option is estimated based on the vesting term as well as expected exercise behavior of the employees who receive the option. Expected term is determined based on simplified method of vesting for grants.

[3]Expected volatility during the estimated expected term of the option is based on historical volatility determined based on observed market prices of the Bank's publicly traded equity shares.

13 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' and London Scottish Bank plc. The compensation paid out to consumers 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 17.3 billion as per the FSCS Plan and Budget for 2013/2014. 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.

According to the FSCS Plan and Budget for 2013/2014, FSCS expects to levy the deposit taking sector for the balance of the principal on the non Bradford & Bingley loans, over three years from 2013/14, the first instalment set at GBP 363 million, making a total levy of GBP 788 million for 2013/14.

The Bank booked expense of USD 1.0 million during FY2013 (FY2012: USD 1.3 million), in respect of statutory levies. This mainly includes the Bank's share of forecast management expense, including interest costs and principal, for 2013/14 levy year. The Bank accrues for the FSCS levy based on its estimated share of total market protected deposits at December 31, 2012. However, the ultimate FSCS levy to the industry as a result of the 2008 collapses cannot currently be estimated reliably as it is dependent on various uncertain factors including the potential recoveries of assets by the FSCS and changes in the interest rate, the level of protected deposits and the population of FSCS members at the time.

14 Loans and advances to banks

(a) Residual Maturity

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Banks		
Repayable on demand	34,838	13,251
Other loans and advances		
Remaining Maturity :		
Over 5 years	1,732	24,849
5 year or less but over 1 year	750	1,729
1 year or less but over 3 months	16,793	4,335
3 months or less	19,997	196,306
	74,110	**240,470**
Parent and Group Companies		
Repayable on demand	3,268	5,122
Other loans and advances		
Remaining Maturity :		
1 year or less but over 3 months	244	-
3 months or less	1,129	-
	4,641	5,122
Sub Total	78,751	245,592
Collective provision	(94)	(96)
Specific impairment allowance	-	(11,176)
Total	**78,657**	**234,320**

(b) Concentration of exposure

The bank has the following concentrations of loans and advances to customers

Total gross advances to banks located in	March 31, 2013 USD 000s	March 31, 2012 USD 000s
UK	39,070	41,304
Europe	8,220	1,919
North America	2,048	309
India	2,781	175,370
Rest of the World	2,232	26,690
Total	**78,751**	**245,592**

As at March 31, 2013, the bank had no direct exposure to banks in Portugal, Italy, Greece, Spain or Cyprus. (2012: 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.

15 Loans and advances to customers

(a) Residual Maturity

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Repayable on demand or at short notice	36,461	44,251
Other loans and advances		
Remaining Maturity :		
Over 5 years	230,399	240,402
5 years or less but over 1 year	1,144,832	1,028,049
1 year or less but over 3 months	241,858	691,792
3 months or less	677,159	419,532
Sub total	**2,330,709**	**2,424,026**
Collective provision	(17,129)	(16,249)
Specific impairment allowance	(30,608)	(20,070)
Total	**2,282,972**	**2,387,707**

(b) Concentration of exposure

Geographical concentrations of loans and advances to customers

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
UK	598,901	611,847
Europe	740,955	496,671
North America	-	5,670
India	906,814	1,296,738
Rest of the World	84,039	13,100
Total	**2,330,709**	**2,424,026**

As at March 31, 2013, the outstanding exposure to customers in Ireland was USD 24.6 million (2012: USD 34.3 million). As at March 31, 2013, the Bank had no direct exposure to customers in Portugal, Italy, Greece, Spain or Cyprus. (2012: 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.

16 Potential credit risk on financial instruments

March 31, 2013 **USD 000s**

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
Cash	565	-	-	-	565
Balances at central banks	583,227	-	-	-	583,227
Loans and advances to banks	78,751	-	-	(94)	78,657
Loans and advances to customers	2,074,342	127,419	128,948	(47,737)	2,282,972
Investment securities	514,586	-	39,988	(28,919)	525,655
Other assets:					
- Cheques in clearing	173	-	-	-	173
- Deposits receivable	2,691	-	-	-	2,691
- Deferred tax asset	1,180	-	-	-	1,180
- Derivative financial instruments	76,353	-	-	-	76,353
- Unsettled securities	4,177	-	-	-	4,177
Accrued income	15,656	-	-	-	15,656
Total financial instruments	**3,351,701**	**127,419**	**168,936**	**(76,750)**	**3,571,306**

March 31, 2012 **USD 000s**

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
Cash	1,255	-	-	-	1,255
Balances at central banks	67,183	-	-	-	67,183
Loans and advances to banks	220,710		24,882	(11,272)	234,320
Loans and advances to customers	2,282,365	11,915	129,746	(36,319)	2,387,707
Investment securities	1,154,400		40,848	(21,994)	1,173,254
Other assets:					
- Cheques in clearing	1,363	-	-	-	1,363
- Deposits receivable	2,707	-	-	-	2,707
- Deferred tax asset	1,620	-	-	-	1,620
- Derivative financial instruments	102,624	-	-	-	102,624
- Unsettled securities	-	-	-	-	-
Accrued income	29,905	-	-	-	29,905
Total financial instruments	**3,864,132**	**11,915**	**195,476**	**(69,585)**	**4,001,938**

Loans and advances to customers

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
-Loans contractually overdue as to principal or interest		
- Less than 60 days	9,217	11,915
- 61 to 90 days	3,099	-
- more than 90 days	213,068	84,514
Total	**225,384**	**96,429**
Concentration of overdue exposure		
United Kingdom	5,000	5,000
Europe	17,608	7,015
India	202,776	84,414
Total	**225,384**	**96,429**
Past due whether impaired or not		
Past due not impaired	127,419	11,915
Past due impaired	97,965	84,514
Total	**225,384**	**96,429**
Past due not impaired		
- Less than 60 days	3,099	11,915
- 61 to 90 days	2,298	-
- more than 90 days	122,022	-
Total	**127,419**	**11,915**

During the year ended March 31, 2013 the Bank had renegotiated/restructured loan amounting to USD 24.3 million. As on March 31, 2013, included in the impaired loans were loans restructured in previous years of USD 31.0 million (2012: USD 31.2 million).

17 Impairment on loans and advances

Net loan impairment charge to profit and loss account

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
New charges	(23,062)	(5,428)
Release of allowance	2,853	9,901
Write off directly to profit and loss	-	(117)
	(20,209)	**4,356**

Movement in impairment allowance on loans and advances

	March 31, 2013 (USD 000s)			March 31, 2012 (USD 000s)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	31,246	16,345	47,591	36,910	23,096	60,006
Amounts written off	(19,285)	(684)	(19,969)	(7,942)	-	(7,942)
Recovery of amounts provided in previous years	-	-	-	(2,755)	-	(2,755)
Charge to profit and loss account	18,647	1,562	20,209	5,033	(6,751)	(1,718)
Closing Balance	**30,608**	**17,223**	**47,831**	**31,246**	**16,345**	**47,591**

18 Investment securities

Classification of Investment securities

	March 31, 2013 Market Value USD 000s	March 31, 2012 Market Value USD 000s
Analysed by class		
Treasury Bills	101,988	693,723
Other securities		
- Credit Link Notes	14,801	14,365
- Bonds	323,169	344,245
- Asset Backed Securities	74,566	101,954
- Equity	11,131	18,967
Total other securities	**423,667**	**479,531**
Total	**525,655**	**1,173,254**
Analysed by designation :		
Available for sale	486,000	1,133,475
Held to Maturity	24,854	25,414
Financial instruments at fair value through profit and loss	14,801	14,365
Total	**525,655**	**1,173,254**
Analysed by issuer:		
Available for sale		
Issued by public bodies:		
Government Issued	101,988	693,723
Other Public sector securities	173,097	118,015
Issued by other issuers	210,915	321,737
Held to Maturity		
Issued by other issuers	24,854	25,414
Financial instruments at fair value through profit and loss		
Issued by other issuers	14,801	14,365
Total	**525,655**	**1,173,254**
Analysed by listing status:		
Available for sale		
Unlisted	101,988	725,454
Listed	384,012	408,021
Held to Maturity		
Unlisted	24,854	25,414
Financial instruments at fair value through profit and loss		
Unlisted	14,801	14,365
Total	**525,655**	**1,173,254**
Analyzed by maturity*:		
Due within 1 year	158,745	784,442
Due 1 year and above	355,779	369,845
Total	**514,524**	**1,154,287**

*does not include USD 11.1 million of investment in equity

Included above are bonds issued by the Parent Bank and ICICI Bank Canada (a fellow subsidiary) with a market value of USD 31.2 million at March 31, 2013 (2012: USD 31.6 million)

Impairment on investment securities

During the year the Bank booked impairment of USD 7.0 million (2012: USD 8.9 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, 2013, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bill	101,988	-	-	101,988
Credit Link Notes	-	14,801	-	14,801
Bonds	290,541	7,774	-	298,315
Asset Backed Securities	74,566	-	-	74,566
Equity	11,131	-	-	11,131
Total	**478,226**	**22,575**	**-**	**500,801**

Investments held at fair value at March 31, 2012, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bill	693,723	-	-	693,723
Credit Link Notes	-	14,365	-	14,365
Bonds	258,267	60,564	-	318,831
Asset Backed Securities	100,848	1,106	-	101,954
Equity	18,854	113	-	18,967
Total	**1,071,692**	**76,148**	**-**	**1,147,840**

Valuation Hierarchy

The valuation hierarchy is set out below:

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

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.

19 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' which permits an entity to reclassify certain financial assets out of the held for trading category. The amendment also permits an entity to transfer from the available for sale category to the loans and receivable category in certain circumstances.

The reclassifications were made as a result of significant reductions in market liquidity for these assets, and a change in the intention to hold the assets for the foreseeable future or to maturity. These circumstances formed part of the wider context of market turmoil and are considered a rare event and, as such, the reclassification was permitted under the amendments to FRS 26. On the date of reclassification, the fair value of the asset was deemed to be the asset's new amortized cost, and the assets have been tested for impairment since reclassification.

Carrying amount and fair value of reclassified assets **USD 000s**

	March 31, 2013		March 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
From held for trading to available for sale				
-Corporate Bonds	8,749	8,749	8,518	8,518
-Asset Backed Securities	2,343	2,343	2,992	2,992
From available for sale to loans and receivables				
-Corporate Bonds	13,054	13,054	147,571	143,249
-Asset Backed Securities	85,571	86,144	142,366	129,864
Total	**109,717**	**110,290**	**301,447**	**284,623**

The amount reclassified was based on the fair value of the financial assets as at the date of reclassification. The following table sets forth, for the periods indicated, the fair value gains and losses, income and expense recognized in the profit and loss account both before and after the date of reclassification:

Impact on profit and loss account **USD 000s**

	Post Reclassification March 31, 2013	Assuming No Reclassification March 31, 2013	Post Reclassification March 31, 2012	Assuming No Reclassification March 31, 2012
From held for trading to available for sale				
-Corporate Bonds	452	701	4,493	4,046
-Asset Backed Securities	30	111	51	53
From available for sale to loans and receivables				
-Corporate Bonds	2,622	2,622	18,228	18,228
-Asset Backed Securities	1,712	1,712	6,104	6,104
Total	**4,816**	**5,146**	**28,876**	**28,431**

The following table sets forth, for the periods indicated, the fair value gains and losses recognized in the AFS reserve, in the books of the Bank for the trades outstanding as on respective periods.

Impact of gains /(losses) on available for sale reserve **USD 000s**

	Post Reclassification March 31, 2013	Assuming No Reclassification March 31, 2013	Post Reclassification March 31, 2012	Assuming No Reclassification March 31, 2012
From held for trading to available for sale				
-Corporate Bonds	281	-	32	-
-Asset Backed Securities	(33)	-	(114)	-
From held for trading to loans and receivables				
-Corporate Bonds	-	-	5,149	827
-Asset Backed Securities	5,591	6,164	23,493	10,990
Total	**5,839**	**6,164**	**28,560**	**11,817**

20 Tangible and intangible assets

	Leasehold Improvements USD 000s	Other Fixed Assets & Intangible Assets USD 000s	Total USD 000s
Cost :			
At April 1, 2012	12,339	7,775	20,114
Additions	-	161	161
Disposal	-	-	-
At March 31, 2013	**12,339**	**7,936**	**20,275**
Accumulated depreciation:			
At April 1, 2012	5,138	6,489	11,627
Charge for year	969	507	1,476
At March 31, 2013	**6,107**	**6,996**	**13,103**
Net book value :			
At March 31, 2013	**6,232**	**940**	**7,172**
At April 1, 2012	7,201	1,286	8,487

21 Other assets

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Amounts in clearing	173	1,363
Deposits receivable	2,691	2,707
Deferred tax asset	1,180	1,620
Derivative financial instruments	76,353	102,624
Settlement balances*	4,177	-
Other receivables	7,446	72,326
Prepaid Expenses	1,382	1,571
Total	**93,402**	**182,211**

* mainly comprising of securities pending settlement

Other receivables of USD 8.8 million includes USD 3.3 million on income accrued on convertible bonds held by the Bank (2012: USD 69.5 million).

22 Deposits by banks

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

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Banks		
5 years or less but over 1 year	127,470	20,009
1 year or less but over 3 months	123,000	243,642
3 months or less but not repayable on demand	38,298	55,000
	288,768	**318,651**

23 Customer accounts

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

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
5 years or less but over 1 year	264,871	508,080
1 year or less but over 3 months	616,750	839,970
3 months or less but not repayable on demand	295,681	289,914
	1,177,302	1,637,964
Repayable on demand	621,979	773,500
Total	**1,799,281**	**2,411,464**

24 Debt securities and subordinated liabilities

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Bonds issued*		
Residual Maturity		
Over 5 years	362,500	378,497
5 year or less but over 1 year	80,250	-
1 year or less but over 3 months	90,000	-
	532,750	**378,497**
Less: Bond issue expenses	(2,313)	(2,580)
Less: Adjustments to carrying amount for change in the value of hedge which is ineffective	(2,367)	(3,296)
	528,070	**372,621**

* Listed with Singapore stock exchange.

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2013 are as follows:

Date of Issue	Nature of Issue	Interest Rate	Interest frequency	Maturity	USD 000s
12-Dec-06	Perpetual junior subordinated notes	6.38%	Semi-annually	Callable by issuer at par in 2016; no maturity	85,000
31-Mar-08	Unsecured junior subordinated bonds due 2018	Libor + 500 bps	Quarterly	First call in June 2013, Maturity in April 2018	50,000
22-Jul-08	Unsecured junior subordinated bonds due 2018	8.00%	Semi annually	First call in July 2013, Maturity in July 2018	77,500
23-Nov-10	Unsecured subordinated fixed rate notes due 2020	7.00%	Semi annually	Bullet payment in November 2020	150,000
26-Oct-12	Senior unsecured bonds	2.34%	Semi annually	Bullet payment in April 2014	10,000
08-Feb-13	Senior unsecured bonds	1.75%	Bullet payment in April 2014	Bullet payment in April 2014	50,000
31-Oct-12	Senior unsecured bonds	2.10%	Annually	Bullet payment in October 2013	25,000
13-Nov-12	Senior unsecured bonds	2.00%	Semi annually	Bullet payment in November 2013	10,000
31-Aug-12	Senior unsecured bonds	Libor + 195 bps	Quarterly	Bullet payment in September 2013	25,000
20-Nov-12	Senior unsecured bonds	Libor + 180 bps	Quarterly	Bullet payment in May 2014	20,250
31-Aug-12	Senior unsecured bonds	Libor + 195 bps	Quarterly	Bullet payment in September 2013	30,000

Less: Bond issue expenses	(2,313)
Less: Adjustments to carrying amount for change in the value of hedge which is ineffective	(2,367)
	528,070

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.

25 Repurchase agreements

	March 31, 2013 USD 000s		March 31, 2012 USD 000s	
	Carrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
Repurchase agreements	**207,960**	**245,171**	**-**	**-**

The assets transferred under the repurchase agreement are bonds issued by financial institutions with market value of USD 245.2 million (2012: Nil) which have been pledged as collateral under repurchase agreement entered by the Bank. These bonds are a part of the AFS book (refer Note 18).

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

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
5 years or less but over 1 year	-	-
1 year or less but over 3 months	95,503	-
3 months or less	112,457	-
Total	**207,960**	**-**

26 Other liabilities

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Amounts in clearing	2,844	1,511
Corporation tax payable	5,810	11,295
Other creditors	16,010	11,140
Derivative financial instruments	81,927	85,456
Settlement balances*	-	113,340
Total	**106,591**	**222,742**

*Mainly comprising of securities pending settlement

27 Called up share capital

At March 31, 2012 the Issued share capital of ICICI Bank UK PLC was:

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
495 million ordinary shares of USD 1 each	495,000	545,000
50 million non-cumulative perpetual callable preference shares of USD1 each	-	50,000
50,002 ordinary shares of £1 each	95	95
Total Share Capital	**495,095**	**595,095**

During the year, the Bank redeemed USD 50 million of preference share capital invested by ICICI Bank Limited and also returned USD 50 million of equity capital to ICICI Bank Limited after receiving requisite approvals including court approval for the reduction in equity share capital. The preference share capital was redeemed at par from distributable reserves with a USD 50 million of capital redemption reserve being recognized.

28 Employee benefits

During the year, the Bank made a contribution of USD 260,828 (2012: USD 231,043) to the pension scheme. Out of this amount, USD 23,705 was accrued at the year end (2012: USD 17,589).

29 Contingent liabilities and commitments

(a) Guarantees and other commitments:

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Guarantees	332,201	429,563
Other commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:	-	-
Less than one year	34,283	5,028
More than one year	-	-
Total guarantees and commitments	**366,484**	**434,591**

(b) Significant concentrations of contingent liabilities and commitments

Approximately 66% (2012: 61%) 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 1,509 million (2012: USD 754 million).

30 Operating lease commitments

As at March 31, 2013, the Bank has the following non cancellable annual operating lease commitments:

Land and Buildings	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Operating leases which expire :		
Within 1 year	-	423
Between 1 and 5 years	907	304
More than 5 years	1,722	2,170
	2,629	**2,897**

31 Categories and classes of Financial Instruments

Assets:

As at March 31, 2013 **USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	565		565
Balances at central banks	-	-	583,227	-	583,227
Loans and advances to banks	-	-	78,657	-	78,657
Loans and advances to customers	-	-	2,282,972	-	2,282,972
Investment Securities	14,801	486,000	-	24,854	525,655
Other assets*	76,353	-	14,487	-	90,840
Accrued income	-	-	15,656		15,656
Total financial assets	**91,154**	**486,000**	**2,975,564**	**24,854**	**3,577,572**

As at March 31, 2012 **USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	1,255	-	1,255
Balances at central banks	-	-	67,183	-	67,183
Loans and advances to banks	-	-	234,320	-	234,320
Loans and advances to customers	-	-	2,387,707	-	2,387,707
Investment in Securities	14,365	1,133,475	-	25,414	1,173,254
Other assets*	102,624	-	76,411	-	179,035
Accrued income	-	-	29,905	-	29,905
Total financial assets	**116,989**	**1,133,475**	**2,796,781**	**25,414**	**4,072,659**

*Excludes differed tax assets & prepaid expenses.

Liabilities:

As at March 31, 2013 **USD 000s**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	288,768	288,768
Customer accounts	-	1,799,281	1,799,281
Debt securities in issue	-	528,070	528,070
Other liabilities	81,927	24,664	106,591
Accruals and deferred income	-	34,464	34,464
Repurchase agreements	-	207,960	207,960
Total financial liabilities	**81,927**	**2,883,207**	**2,965,134**

As at March 31, 2012 **USD 000s**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	318,651	318,651
Customer accounts	-	2,411,464	2,411,464
Debt securities in issue	-	372,621	372,621
Other liabilities	85,456	137,286	222,742
Accruals and deferred income	-	49,204	49,204
Total financial liabilities	**85,456**	**3,289,226**	**3,374,682**

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

32 Capital Management

The Bank's regulatory capital requirements are set and monitored by the FSA (PRA with effect from April 1, 2013). The Bank implemented the Basel II framework for calculating minimum capital requirements, with effect from January 1, 2008.

The Bank's regulatory capital is categorised into two tiers:

Tier 1 capital, which includes ordinary share capital, preference share capital, and retained earnings.

Tier 2 capital, which includes qualifying subordinated liabilities, collective provision and other allowances and the elements of fair value reserves relating to unrealized gains/losses on equity instruments.

Various limits are applied to the elements of the capital base. Qualifying Tier 2 capital cannot exceed Tier 1 capital; and qualifying term subordinated loan capital may not exceed 50% of Tier 1 capital. There are also restrictions on the amount of collective provision that may be included in Tier 1 capital.

Under Basel II, the Bank calculates requirements for market risk in its trading portfolios based on Standardised model.

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 FSA's approach to such measurement based upon Basel II is now primarily based on monitoring the Capital Resource Requirement to available capital resources. The FSA 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). The Bank submitted its last ICAAP document to the FSA in April 2012.

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 position under Basel II is as follows:

	March 31, 2013 USD million	March 31, 2012 USD million
Total Capital	**989.8**	**1,114.1**
- Tier I	619.3	728.0
- Tier II	370.5	386.1

33 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 and Ethics Committee (BGEC), the Board Risk Committee (BRC), and the Board Credit Committee (BCC), 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 Operational Risk Management Committee (ORMC) and the Product and Process Approval Committee (PAC).

As a financial intermediary, 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 an examination of best practices and the risk appetite statement of the Parent. The risk appetite statement was further drilled down into portfolio-level limits.

The Bank has a risk register which documents the material risks faced by the Bank and also categorises the same into High/Medium/Low risk based on likelihood and severity of impact. Based on the risk register, the key material risks to which the Bank is exposed to include credit risk (including concentration risk, country risk and residual 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 unexpected 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 Credit Risk Management Policy (CRMP), which is approved and reviewed annually by the Board Credit Committee. The CRMP describes the principles which underlie and drive the Bank's approach to credit risk management together with the systems and processes through which it is implemented and administered. The CRMP aims to maximise the Bank's risk-adjusted rate of return whilst maintaining the Bank's credit risk exposure within limits and parameters as approved by the Board of Directors of the Bank.

The Bank takes a two tier approach to assessment of credit risk - a commercial officer proposing the transaction review followed by a credit officer's independent assessment of the same. The CRMP lays down a structured credit approval process, which includes a procedure of 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 has adopted a web-based 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 analyzing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cashflow adequacy;
- The borrower's relative market position and operating efficiency; and
- The quality of management by analyzing 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, cyclicality 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 proposals are approved by the Board Credit Committee (BCC) or the Executive Credit and Risk Committee (ECRC) based on, inter alia, the amount and internal risk rating of the facility. All credit proposals being 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 the collateral management policy, credit rating framework, provisioning policy, etc.
- Establishing the delegation of sanctioning powers available to individuals, singly or jointly, and the credit committees which are documented in the Credit Approval Authorization Manual.

- Limiting concentrations of exposure to counterparties, geographies, industrial sectors, internal rating categories, etc. and reviewing the same on a regular basis.
- Performing regular 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 for credit facilities prior to disbursement. It also reviews the completeness of documentation and creation of security for assets financed.

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 CRMP 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. The concentration limits that are material to the Bank are reviewed annually as part of the risk appetite framework.

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 various early warning indicators as part of the credit monitoring tools for early detection of risks in borrowers showing signs of any credit deterioration. 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. The Bank documents the 'lessons learned' from its experiences of exposures against which specific provisions have been raised. These are circulated to the commercial officers on an ongoing basis.

Credit risk is also managed at the portfolio level by monitoring and reporting to the BCC the key parameters of risk concentration of product specific exposures, single counterparty exposure, large exposures, industry/sectoral exposures, country/geographical exposures and rating category based exposures.

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:

Rating	March 31, 2013 USD 000s	March 31, 2012 USD 000s
AAA	168,707	785,259
AA	3,929	6,333
AA-	46,614	56,517
A+	-	19,567
A	-	21,916
A-	55,977	82,394
BBB-	214,300	141,395
BB+ and below	-	15,492
Non rated	36,128	44,381
Total	**525,655**	**1,173,254**

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.

Internal risk rating of loans and advances to customers

Rating	March 31, 2013 USD 000s	March 31, 2012 USD 000s
AAA to AA-	114,687	79,656
A+ to A-	981,240	714,819
BBB+ to BBB-	561,761	688,309
BB and below	430,528	472,338
Total	**2,088,216**	**1,955,122**

Investments held as loans and receivables which are internally risk rated:

Rating	March 31, 2013 USD 000s	March 31, 2012 USD 000s
AAA to AA-	113,630	213,833
A+ to A-	14,873	70,132
BBB+ to BBB-	-	42,573
BB and below	28,419	-
Total	**156,922**	**326,538**

Investments held as loans and receivables which are externally risk rated:

Rating	March 31, 2013 USD 000s	March 31, 2012 USD 000s
A+ to A-	9,979	48,572
BBB+ to BBB-	66,163	86,056
BB and below	9,429	7,738
Total	**85,571**	**142,366**

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:

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Industrials	220,363	304,169
Consumer Discretionary	251,362	144,879
Consumer Staples	338,862	315,263
Energy	332,663	315,230
Financials	61,489	99,675
Gems and Jewellery	295,083	298,816
Healthcare	83,859	128,095
Information Technology	6,919	57,506
Materials	500,673	532,184
Real Estate	164,288	168,734
Telecom Services	49,492	17,829
Utilities	14,873	14,860
Others	10,783	26,786
Total	**2,330,709**	**2,424,026**

The above exposure is gross of collective and specific impairment.

Collateral Management

The Bank has a policy on collateral management and credit risk mitigation which provides guidance for identifying eligible collateral as per Prudential sourcebook for Banks, Building Societies and Investment Firms (BIPRU) for the purpose of credit risk mitigation and securing capital relief.

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’s credit risk limit framework prescribes limits on the quantum of unsecured exposures.

This framework also provides guidance for identifying and defining secured facilities and valuing the underlying security. The Bank monitors and reports the proportion of unsecured exposures in 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, 2013 USD 000s	March 31, 2012 USD 000s
Collateral value	1,264,636	1,337,299
Gross loans and advances	2,330,709	2,424,026
Less: Investments held as loans and receivables	(242,493)	(468,904)
Outstanding balance against which collateral held	**2,088,216**	**1,955,122**

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 organization, 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, 2013 is approximately USD 3.5 billion (2012: USD 4.0 billion). The maximum amount of off balance sheet credit risk on guarantees and letters of credit is approximately USD 366.4 million (2012: USD 434.6 million). Potential credit risk on financial instruments is detailed in Note 16.

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 second charge on assets, other liens and corporate guarantees and related support undertakings from the borrower group entities. The Bank has applied appropriate haircuts while 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 key policies for managing the market risk as approved by the Board Risk Committee (BRC) are:

- Treasury policy manual (TPM) which comprises of the liquidity policy statement (LPS) and 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 and are as per the extant regulatory guidelines, laws governing transactions in financial securities and the financial environment. The policies contain the limit structure that governs transactions in financial instruments. The policies are reviewed periodically to incorporate therein, changed business requirements, 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 change in interest rates because the present value of future cash flows changes when interest rates change (economic value perspective).

  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 200 basis points adverse change in the level of interest rates. The various limits set for interest rate risk are monitored and the utilizations 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 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 -5.0 to +5.0 has been

prescribed for the DoE of the Bank.

- Forex risk – The risk arises due to positions in non-dollar denominated currencies, which in turn arises from assets and liabilities in those currencies. The risk originates as a result of the impact on revenue due to the potential revaluation of non-dollar assets and liabilities. Foreign exchange risk is managed within the Treasury function in accordance with the position limits. Net overnight open position (NOOP) of the Bank as at March 31, 2013 is USD 9.5 million (2012: USD 5.2 million).
- Equity Risk – Equity price risk arises due to the volatility of price movements on the Bank's investment in equity shares and convertibles. The equity investment of the Bank as at March 31, 2013 was USD 11.1 million (2012: USD 18.9 million) and option value of the convertibles was USD 0.8 million (2012: USD 1.8 million).

The Bank has devised various risk metrics for different products and investments. These risk metrics are measured and reported to the senior management independently by the Bank's Treasury Middle Office Group (TMOG). 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. Based on the risk appetite of the Bank, limits are placed on the risk metrics which are monitored on a periodic basis.

The 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 trading book portfolio as at March 31, 2013 was USD 0.06 million (2012: USD 0.16 million). The maximum, average and minimum VAR during the year for the trading book portfolio was USD 0.18 million (2012: USD 0.16 million), USD 0.04 million (2012: USD 0.04 million) and USD 0.01 million (2012: USD 0.00 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) as at March 31, 2013, assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	Amount in USD 000s
Portfolio size (Market value)	474,725
Change in value due to 100 bps movement in interest rate	7,604
Change in value due to 200 bps movement in interest rate	15,208

The impact of an increase in interest rates on bonds and asset backed securities) as at March 31, 2012, assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	Amount in USD 000s
Portfolio size (Market value)	1,114,508
Change in value due to 100 bps movement in interest rate	6,361
Change in value due to 200 bps movement in interest rate	12,721

Volatility in interest rates has an impact on an entity's interest earnings. The impact of an increase in interest rates on the Bank's net interest income as at March 31, 2013, assuming a parallel shift in the yield curve, has been set out in the following table:

Equivalent in USD million

Currency	Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
EUR	1.04	2.08
USD	5.86	11.71
GBP	1.87	3.73
Other currencies	(0.86)	(1.71)
Total	**7.91**	**15.81**

The impact of an increase in interest rates on the Bank's net interest income as at March 31, 2012, assuming a parallel shift in the yield curve, has been set out in the following table:

Equivalent in USD million

Currency	Impact on Net Interest Income over a one year horizon	
	Increase in interest rates by 100 bps	Increase in interest rates by 200 bps
EUR	0.91	1.82
USD	6.91	13.82
GBP	3.69	7.38
Other currencies	(0.05)	(0.10)
Total	**11.46**	**22.92**

An increase in interest rates results in a positive impact on the NII on account of positive re-pricing gaps on the balance sheet i.e. more assets re-price within a 1 year horizon than liabilities.

The combined impact of the price risk associated with an increase of 100 bps in interest rates on the trading book assets, coupled with the impact on the net interest income viewed over a four quarter horizon is measured against a limit of 5% of the Tier I and II capital base of the Bank as at the end of the immediately preceding financial year.

Liquidity Risk

Liquidity risk relates to the potential difficulty of resorting to the financial markets in order to meet payment obligations or through the available cash flows. 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 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 goal of liquidity risk management of the Bank 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 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 ensure that its liquidity gap position is within the approved limit for the various time buckets. This framework is further augmented by defining risk limit for individual risk drivers within the relevant regulatory environment. The ALCO monitors these parameters on a monthly basis and the BRC reviews these parameters on a quarterly basis.

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 long-term funding strategy. Short-term liquidity management is considered from two perspectives; business as usual and liquidity under 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 liquidity gap statements, liquidity ratios and stress testing through scenario analysis. The SSL is used as a standard tool for measuring and managing net funding requirements and assessment of surplus or shortfall of funds in various maturity buckets in the future. The Bank also prepares dynamic liquidity gap statements, which in addition to scheduled cash flows, also considers the liquidity requirements pertaining to incremental business and the funding thereof.

As part of the stock and flow approach to monitor 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. Amongst the various ratios monitored, the Bank lays more emphasis withdrawable funding ratio and the loan (customer advances to total assets ratio). The withdrawable funding ratio indicates the proportion of deposits that can be withdrawn by the customers without any notice to total funding resources. The ratio as at March 31, 2013 was 0.17 (0.24 as at March 31, 2012).The loan (customer advances) to total assets ratio indicates the structural liquidity of asset portfolio of the Bank. The ratio as at March 31, 2013 was 0.56 (0.48 as at March 31, 2012).

The Bank has implemented the Individual Liquidity Adequacy Assessment (ILAA) framework in line with the requirements of the FSA policy document PS09/16 on “Strengthening Liquidity Standards” during the current year. The ILAA summarizes the level of liquidity required by the Bank to meet the UK regulatory requirements and the liquidity commensurate with the risks identified in the Bank’s portfolio and strategic plans. The ILAA 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 quantification of outflows and inflows associated with material risks identified using scenarios – themselves a combination of historic data, external events and seasoned judgment. Based on the scenarios defined in the ILAA framework, the Bank carries out a stress testing of its liquidity position on a weekly frequency and reports the results of the stress test to the ALCO and BRC & Board on a monthly and quarterly basis respectively.

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, as identified. 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 34 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 is defined as the risk from an 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.

An Operational Risk Management Committee (ORMC) 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 ORMC 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 ORMC held during a quarter is presented to the BRC on a quarterly basis. The ORMC 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 OR that the Bank is willing to accept in pursuit of its business objectives. 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 identified ORA at a business unit/Risk and Control Self Assessment (RCSA) entity level and at Bank wide key risk level thus using combination of both top down and bottom up approach.

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 FSA 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. The CRA has been carved out or is the subset of the operational risk appetite determined for the identified Bank wide risk categories/areas mapped to Retail Banking group risk entities.

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 BRC approved plan in consultation with the business groups and the results of the RCSA exercise are presented to 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 a Bank level. The KRIs are monitored on a monthly basis and the results of the Bank level KRIs are presented to the ORMC and the BRC on a quarterly basis. Any significant breaches are reported to the ORMC immediately on identification. 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 ORMC 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 has put in place an operational risk scenario analysis and stress testing framework 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 is assessed for its probability and financial impact and compared with the operational risk capital charge. The results are presented to the ORMC 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 to the PAC for approval.

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 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 ORMC 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 FSA. The performance of vendors is periodically reviewed and assessment reports are presented to the BRC on a quarterly basis by the performance monitoring unit.

34 Cash flow payable under contractual maturity

At March 31, 2013, 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	38,958	40,567	84,140	130,306	-	293,971
Customer accounts	917,660	238,757	377,993	264,871	-	1,799,281
Other liabilities	36,865	-	-	-	6,910	43,775
Derivative financial liabilities	9,163	4,846	4,191	44,501	115	62,816
Accruals and deferred income	27,354	1,920	3,040	2,130	20	34,464
Debt securities in issue	7,140	62,140	49,202	273,194	292,395	684,071
Repurchase Agreements	112,457	56,744	38,759	-	-	207,960
Total Liabilities	**1,149,597**	**404,974**	**557,325**	**715,002**	**299,440**	**3,126,338**

At March 31, 2012, 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	55,890	100,840	144,612	20,205	-	321,547
Customer accounts	1,063,414	219,399	620,571	508,080	-	2,411,464
Other liabilities	147,689	1,479	-	-	3,419	152,587
Derivative financial liabilities	1,623	10,281	2,754	55,497	-	70,155
Accruals and deferred income	35,928	2,161	6,111	5,004	-	49,204
Debt securities in issue	6,300	6,300	12,531	180,908	341,378	547,417
Total Liabilities	**1,310,844**	**340,460**	**786,579**	**769,694**	**344,797**	**3,552,374**

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).

35 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, 2013	March 31, 2013	March 31, 2012	March 31, 2012
	Fair value	Book value	Fair value	Book value
Non trading book financial assets and liabilities				
Assets:				
Cash	565	565	1,255	1,255
Balances at central banks	583,227	583,227	67,183	67,183
Loans and advances to banks	78,675	78,657	232,025	234,320
Loans and advances to customers	2,310,793	2,282,972	2,359,821	2,387,707
Investment securities	510,750	510,854	1,157,420	1,158,889
Liabilities:				
Deposits by banks and customer accounts	2,086,602	2,088,049	2,724,698	2,730,115
Debt securities in issue	545,130	528,070	367,368	372,621
Repurchase agreements	207,960	207,960	-	-
Financial assets and liabilities at fair value through profit and loss				
Assets:				
Derivative financial instruments	76,353	76,353	102,624	102,624
Credit linked notes	14,801	14,801	14,365	14,365
Liabilities:				
Derivative financial instruments	81,927	81,927	85,456	85,456

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.
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 vale 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.

36 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 FRS 26 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. As at March 31, 2013, the notional amounts of interest rate swaps and foreign exchange contract designated as fair value hedges were USD 834 million (2012: USD 1,016 million) and these contracts had a positive fair value of USD 10.54 million (2012: positive fair value of USD 26.4 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 $105k and $92k 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.

Principal amounts of derivative financial instruments

As at March 31, 2013 USD 000s

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	247,038	1,884,238	20,726	24,447
Interest rate	586,741	1,592,906	54,891	38,369
Total	**833,779**	**3,477,144**	**75,617**	**62,816**

Principal amounts of derivative financial instruments

As at March 31, 2012 USD 000s

Instrument	Non-trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	544,374	1,277,892	42,156	20,773
Interest rate	471,416	2,372,208	58,679	49,382
Total	**1,015,790**	**3,650,100**	**100,835**	**70,155**

In addition of the above the Bank holds equity options relating to their Foreign Currency Convertible Bonds. As at March 31, 2013 these equity options had a gross positive fair value of USD 0.75 million (March 31, 2012 gross positive fair value of USD 1.8 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 19 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, 2013 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	1,189	1,987	-	-
Level 2	19,537	22,460	52,925	36,403
Level 3	-	-	1,966	1,966
Total	**20,726**	**24,447**	**54,891**	**38,369**

As at March 31, 2012 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	104	558	-	-
Level 2	42,052	20,215	52,006	42,709
Level 3	-	-	6,673	6,673
Total	**42,156**	**20,773**	**58,679**	**49,382**

37 Assets and liabilities denominated in foreign currency

	March 31, 2013 USD 000s	March 31, 2012 USD 000s
Denominated in US Dollars	1,724,630	2,007,097
Denominated in Sterling	1,129,075	1,349,538
Denominated in other currencies	733,601	727,687
Total assets	**3,587,306**	**4,084,322**
Denominated in US Dollars	1,271,034	1,185,945
Denominated in Sterling	1,789,569	2,533,473
Denominated in other currencies	526,703	364,904
Total liabilities	**3,587,306**	**4,084,322**

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 36 which are held for hedging purposes.

38 Litigation

There are no material outstanding legal proceedings against the Bank.

39 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, 2013 financial statements.

40 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.