ICICI BANK UK PLC

Strategic Report, Directors' Report and Financial Statements
March 31, 2015
Registered number 4663024

ICICI Bank

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Strategic report

The Directors present their strategic report for the year ended March 31, 2015 (FY2015) for ICICI Bank UK PLC ("the Bank").

Nature of Business

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

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

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

Business Review

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

The Bank's corporate business includes banking services for Indian corporations seeking to develop their overall business, including in the UK and Europe, for Europe based multinational corporations which have active trade and investment flows with India, for large businesses owned by persons of Indian origin and for select local UK and EU companies. The business strategy of the Bank has mainly been driven by the increased globalisation of the Indian economy, the growing trend of Indian corporates expanding overseas, the large population of non-resident Indians and persons of Indian origin across the globe, overseas companies looking to invest in India and lending needs of local companies.

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

During the course of FY2015, the Bank remained focused on its key strategic objectives of diversification of the business profile, expanding non-interest income streams, continuing proactive risk management, effective liquidity and capital management and meeting the requirements of the changing regulatory environment. The Bank's focus is on building a sustainable business model with a strong corporate governance and control environment.

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

The financial information in the following sections have been presented in US$ with additional disclosure in Indian Rupee (INR) currency for convenience using the year end exchange rate of USD/INR 62.5 which has been applied across both FY2015 and FY2014 [1].

Key strategic highlights: FY2015

During FY2015, the Bank continued with its key strategic objectives of diversification of its asset and liability portfolio, development of additional non-interest income streams, improvements in operating efficiencies and continued to maintain a strong control and governance framework including a conduct risk management framework. The Bank selectively grew its asset portfolio within the established risk appetite as stipulated by the Board and explored the market opportunities in specific business segments, which are aligned with its core competencies and strengths. The

1. The numbers in INR are performa only and should not be regarded as being in compliance with UK GAAP

Strategic report (continued)

Bank is well capitalised and in compliance with the fully-phased in capital requirements under the new Capital Requirements Directive (CRD IV) and Basel III capital standards. During the year, the Bank successfully implemented the new common reporting regime COREP as part of CRD IV requirements.

The Bank continued on the strategic direction first introduced in FY2011 and further embedded during the years through continuing diversification of the assets and liabilities and optimization of balance sheet.

Total assets decreased by 8% in FY2015 to USD 4,130 million (INR 258,113 million), primarily due to reduction in balances held at central banks offset in part by growth in loans and advances to banks and customers. The loans and advances to banks and customers increased by 8%, mainly on account of corporate loans.

During the year, the focus was maintained on balancing geographical and industrial concentration as well as further diversification of the loan portfolio. The Bank selectively expanded its clientele to include lending to local companies and participation in syndication deals and M&A transactions. The Bank continues to comply with and maintains Liquid Assets Buffer (LAB) balances in line with the Individual Liquidity Guidance (ILG). In order to optimize the balance sheet, the Bank deployed excess liquidity into loans to banks and customers which led to reduction of balances held at central banks by 55%.

On the funding side, the Bank continued to focus on rebalancing its funding sources and successfully diversified and broadened its funding profile and reduced the cost of funds by leveraging the retail and wholesale funding channel along with other funding sources such as institutional deposits, bankers' acceptances and repurchase agreements.

Profit After Tax (PAT) at USD 18.3 million (INR 1,145 million) decreased by 27% as compared with the previous year. While operating income grew by 16% as compared with previous year and the Bank's treasury desk realised significant gains on sale of financial assets, higher specific provisions on investments and loans impacted the overall profits as compared to the previous year. During the year, the Bank successfully leveraged its established operating model and grew its operating profits before provisions grew by 24%. The growth is driven by growth in the loan book within the risk appetite, reduction in cost of funds and gains on sale of investments and Foreign Currency Convertible Bonds (FCCBs). The Bank continued the momentum of booking diversified income streams with over 40% of FY2015 income[2] contributed by corporate and commercial banking fees, remittance fees, income from Global Markets Group and gains on sale of FCCBs and bonds. The Bank continued to remain focused on enhancing operating efficiencies without compromising the control environment. The operating expenses base grew marginally by 5% compared to the previous year. The Bank remains committed to maintaining a strong control framework to meet the increasing regulatory and reporting obligations and has continued to invest in people and technology to further strengthen the control framework. The cost to income2 ratio fell to 34% for FY2015 compared with 39% for FY2014.

The Bank monitors its credit portfolio very closely with a clearly defined risk management approach. The specific provisions increased to USD 51.5 million (INR 3,218 million) from USD 20.2 million (INR 1,264 million) in the previous year. The increase in provisions was caused by impairment of an equity instrument acquired through collateral enforcement on an overdue loan. Additional provisions on a few corporate loan exposures were booked primarily reflecting slow progress in recovery of the business performance of these borrowers.

In view of the ongoing extensive changes in the regulatory landscape as well as the Bank's strategy, considerable attention was given to further enhancing the conduct risk framework and improving the customer experience and product proposition. Further, increased focus on management of complaints ensured that all complaints were closed well within the regulatory stipulated timeframes. The Bank maintained its focus on sustaining its customer-centric culture and invested in various technology initiatives to enhance customer experience. These include strengthening of the corporate internet banking platform, enhancing the business banking product suite including an on-line FX platform and mobile app and initiating innovative solutions such as Video Know Your Customer (KYC) process for its remittance customers based in Europe.

The capital and liquidity position remained healthy throughout FY2015. The Bank's approach to managing capital and liquidity is designed to ensure that current and expected regulatory capital and liquidity requirements are met. During the year, in consideration of the surplus capital position compared to the regulatory requirements, the Board took a decision to return some of the surplus capital back to the Parent Bank. Consequently, the Bank returned USD 75 million (INR 4,687 million) of equity share capital post receipt of requisite approvals. Post returning of the equity capital, the

[2] Including profit and loss on sale of financial assets

Strategic report (continued)

capital ratio at 19.2% remained strong as at March 31, 2015 with a Tier 1 capital ratio of 14.6%. The Bank paid USD 30 million (INR 1,875 million) of equity dividend during the financial year.

During the year, the Bank continued to comply with the CRD IV liquidity and capital reporting requirements and has met the other requirements of the directive.

Corporate and Commercial Banking

The Corporate Banking division continued to selectively grow the loan portfolio targeting client segments and offering products which are core to the Bank's competencies and strategy, its clients' needs and in line with the risk appetite. The total loan book grew by 8% to USD 3,063 million compared with USD 2,828 million in the previous year. In the course of the year, the Bank remained focused on its strategic customer segments which included subsidiaries of select Indian companies and large multinational companies, including global trading houses and large businesses owned by persons of Indian origin and successfully built new relationships by selectively lending to local corporates. The Bank made significant progress in growing the portfolio emanating from the local syndicated loan market especially M&A transactions and secondary market deals within the risk framework of the Bank. The team worked on enhancing non-lending revenues of the Bank and increasing wallet share of the customers through cross selling. Through its established commercial banking desk, the Bank expanded the business volumes by offering new products as well as enhancing existing market penetration for secondary market deals, trade structuring, trade finance volumes and bill discounting facilities. During the year, the Bank successfully entered and stabilised lending through platform based receivables financing and leveraged relationships with other banks and corporate clients for supply chain financing.

The Bank continued to register impressive business growth from its branch in Frankfurt, Germany through leveraging on the local market as well as growing Europe-India business opportunities. During FY2015, new corporate banking relationships were established in the European market and the corporate loan portfolio increased compared with the previous year. Given the large volumes of trade between India and Germany, the Bank remained focused on participating in lending opportunities emanating from such trade activities. As part of its strategy, the Bank continues to diversify its asset base and improve its asset quality by increasing the proportion of higher rated loans to customers.

Retail Banking

In line with the strategy of diversification of funding sources, the retail banking group remained one of the key funding sources for the Bank. The focus on rebalancing the retail and wholesale funding mix continued during the year in alignment with the Bank's funding strategy. The balanced mix of retail and wholesale funding helped in the continued reduction in the cost of funds.

The Bank made reasonable progress in expanding its Business banking clientele offering foreign exchange and international trade payments. With regard to UK & Europe remittances to India, the income registered a drop as compared to previous year mainly due to depreciation of GBP-INR FX rates. The Bank maintained its market share with competitive pricing, increased salary accounts acquisition (locally within the UK / EU as well as by the launch of the Hello UK product), launch of innovative & market leading solutions such as Video KYC (M2I -Europe), Payment Gateway and a mobile application for its remittance product in the UK. The Bank's travel money product also maintained its growth momentum with a growth in revenues. The Bank ranked amongst the Top 10 travel money providers in the UK (source: Consumer Moneyfacts Awards).

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

Treasury

The Treasury Group manages the balance sheet of the Bank, supporting the capital needs and managing the market and liquidity risk of the Bank. The Bank continues to comply with and maintain Liquid Assets Buffer (LAB) balances in

Strategic report (continued)

line with the Individual Liquidity Guidance (ILG). The Bank reviews the asset/liability maturity mismatches and interest rate positions, and maintains liquidity gaps and interest rate positions within prescribed limits, which are monitored by the Asset and Liability Management Committee (ALCO) of the Bank. In line with the strategy of diversification of funding sources and to minimize the cost of funds, the Bank continues to focus on exploring alternative funding sources. The Bank has leveraged opportunities in the wholesale market by raising bilateral loans and borrowings under the MTN program at competitive cost. During the year, the Bank continued to raise funds through the repo market. These activities have led to a reduction in the overall cost of funds for the Bank.

The investment portfolio of the Bank is also managed by the Treasury Group. The treasury activities are carried out through the Balance Sheet Management Group, Investment desk, Global Markets Group and FCCB Group. During the year, the investments desk tapped the market opportunities and booked gains in the investments portfolio through sale of Bonds and the FCCBs. Additionally, improved equity price of certain FCCBs led to increase in Mark to Market gains on FCCB equity option.

Financial Highlights

The financial performance for the financial year 2015 is summarised in the following table

Profit and loss account	Financial 2015	Financial 2014	% Change	Financial 2015	Financial 2014
	USD 000s	USD 000s		**INR million**	INR million
Net interest income	**64,652**	55,232	17%	**4,041**	3,452
Non interest income	**39,975**	34,923	14%	**2,498**	2,182
Total operating income	**104,627**	90,155	16%	**6,539**	5,634
Operating expenses	**(38,673)**	(36,790)	5%	**(2,417)**	(2,299)
Profit before provisions, charges and taxes	**65,954**	53,365	24%	**4,122**	3,335
Impairment provision and charges	**(51,483)**	(20,222)	155%	**(3,218)**	(1,264)
Profit/(Loss) on sale of financial assets	**8,299**	2,974	179%	**519**	186
Profit before tax	**22,770**	36,117	-37%	**1,423**	2,257
Profit after tax	**18,329**	25,224	-27%	**1,145**	1,576

Strategic report (continued)

Balance Sheet

Balance sheet	Financial 2015 USD 000s	Financial 2014 USD 000s	% Change	Financial 2015 INR million	Financial 2014 INR million
Balances at central banks	**449,154**	1,008,407	-55%	**28,072**	63,025
Loans and advances to banks	**184,146**	79,079	133%	**11,509**	4,943
Loans and advances to customers	**2,878,811**	2,749,136	5%	**179,926**	171,821
Investments	**497,930**	498,885	0%	**31,120**	31,180
Total assets	**4,129,806**	4,471,154	-8%	**258,113**	279,447
Customer accounts	**2,284,686**	2,533,259	-10%	**142,793**	158,329
Shareholders' funds	**545,428**	629,049	-13%	**34,090**	39,317

Capital[3]

Ratios	Under CRDIV March 31, 2015	Under CRDIV March 31, 2014	Decrease
Core Tier 1 ratio	**14.6%**	16.7%	2.1%
Tier 1 ratio	**14.6%**	16.7%	2.1%
Total ratio	**19.2%**	21.8%	2.6%

Risk weighted assets	Financial 2015	Financial 2014	% Change	Financial 2015	Financial 2014
	USD 000s	USD 000s		**INR million**	INR million
Risk weighted assets	**3,684,914**	3,737,618	(1.0%)	**230,307**	233,601

3. Pillar 3 disclosures are available online on the Bank's website: http://icicibank.co.uk/personal/basel_disclosures.html

Key Financial highlights: FY2015

As at March 31, 2015, the Bank had total assets of USD 4,130 million (INR 258,113 million) compared with USD 4,471 million (INR 279,447 million) as at March 31, 2014. The balance sheet reduced primarily due to decrease in the cash balances held at central banks, which reduced by 55% following the optimisation of the liquidity position of the Bank and reduction in the liquidity requirements of the Bank. The loans and advances to banks and customers increased by 8% mainly driven by growth in the corporate loans portfolio. During the year, the Bank remained focused on improving the rating profile of its corporate asset portfolio and expanded its client base by extending loans to selective local corporates and initiated on-line platform based receivables financing and leveraged its relationships by expanding portfolio of supply chain financing. The Bank further diversified its portfolio by expanding its established syndication desk.

Profit before tax in FY2015 was USD 22.8 million (INR 1,423 million) compared with USD 36.1 million (INR 2,257 million) in the previous year. Profit after tax of USD 18.3 million (INR 1,145 million) represents a decrease of 27% compared to previous year mainly due to higher provisions partially offset with positive revenue growth momentum.

The operating income grew by 16% compared with last year primarily driven by increase in net interest income (NII) and realised gains on sale of FCCBs. The NII grew during the year by 17% and net interest margins (NIM) remained strong at 1.59% (FY2014 1.39%). Increase in NIM as compared to previous year was mainly driven by lower cost of

Strategic report (continued)

funds and recognition of previously suspended interest on a loan which is now expected to be recovered. Excluding the recognition of the previously suspended interest, the NIM for the year is at 1.5%.

The cost of funds reduced due to rebalancing of retail and wholesale deposits mix and further diversification of funding sources such as Repurchase agreements, Banker's acceptances and institutional deposits through Frankfurt branch, Germany.

The non interest Income[2] grew by 27% during the year primarily due to gain on sale of financial assets. Whilst the corporate and commercial banking fee income and retail remittances income reduced as compared to previous year, these income streams continue to be the key sources of the non interest income. Retail remittances dropped during the year as compared to previous year mainly due to depreciation of GBP-INR Foreign exchange rates. During the year, the treasury desk of the Bank tapped market opportunities and realised gains primarily on sale of FCCBs and other bonds. The non-interest income continued to contribute over 40% of total income during the year, similar to the previous year.

Operating expenses at USD 38.7 million (INR 2,417 million) grew marginally by 5% compared to the previous year. Previous year's operating expenses included a one off reduction primarily due to change in accounting treatment of FSCS levy. Pursuant to the adoption of revised industry standards, the Bank was not required to provide for the FSCS levy for the scheme year 2014-2015 which led to a reversal of approximately USD 1.0 million (INR 63 million) in expenses last year. On a normalised basis, the expenses have been maintained at trend. The cost to income ratio[2] at 34% in FY2015 improved compared with 39% in FY2014.

The provisions made during the year were USD 51.5 million (INR 3,218 million) compared to USD 20.2 million (INR 1,264 million) in the previous year. The specific provisions on corporate loans at USD 36.8 million (INR 2,303 million) for FY2015 increased compared to USD 23.3 million (INR 1,457 million) for FY2014 mainly due to slow progress in the business performance of a few borrowers. The increase in specific provisions on investments at USD 13.5 million (INR 846 million) as compared to previous year of USD 5.6 million (INR 352 million) was mainly due to an equity investment assessed as impaired due to significant deterioration in its equity price during the year. The impaired assets coverage ratio increased to 43%, compared to 35% in the previous year. FY2014 had a reduction of USD 8.7 million (INR 545 million) in collective provisions while the provision increased during the current year by USD 1.1 million (INR 69 million) following the growth in the loan book.

Provision for taxes at USD 4.4 million (INR 278 million) for FY2015 translates into an effective tax rate of 20% as compared to 30% in previous year mainly due to recycling of tax credit of USD 2.7 million (INR 169 million) from AFS reserve to tax account within P&L during the period.

The Bank's total shareholder's funds at USD 545 million (INR 34,090 million) reduced by 13% as compared to the previous year mainly due to return of capital to the Parent Bank of USD 75 million (INR 4,687 million). The total capital adequacy continues to be strong at 19.2%. The Bank continues to comply with and maintains LAB balances in line with the ILG. The Bank manages the capital and liquidity to ensure that current and expected regulatory capital and liquidity requirements are met.

[4]Key economic and business outlook

As per the World Economic outlook report April 2015 published by the International Monetary Fund (IMF), global growth in 2014 was at 3.4 percent, reflecting a pickup in growth in advanced economies relative to the previous year. Global growth is forecasted at 3.5 percent in 2015 and 3.8 percent in 2016. In United States, growth had been rebounded ahead of expectations after the contraction in the first quarter of 2014 and economy grew by 2.4 percent in 2014. The US economy is expected to grow by 3.1 percent for coming two years, that is, 2015 and 2016.

The United Kingdom economy grew by 2.6 percent in 2014 as a whole, the fastest rate since 2007, supported by lower oil prices and improved financial market conditions. As per the report, the growth is expected to continue and would be 2.7 percent in 2015 and 2.3 percent in 2016. On the monetary policy front, Monetary policy normalization in the United Kingdom is projected not to begin before mid-2016, given currently weak inflation pressures.

[4]World Economic outlook report April 2015 published in by the IMF

Strategic report (continued)

In the Euro area the activity was weaker than expected in the middle part of 2014 but showed signs of a pickup in the fourth quarter and in early 2015, with consumption supported by lower oil prices and higher net exports. The Euro economy growth was modest at 0.9 percent in 2014 as a whole. Lower oil prices, lower interest rates and euro depreciation, as well as the shift to a broadly neutral fiscal stance, are projected to boost activity in 2015 and 2016. At the same time significant downside risks remain. The outlook is for moderate growth and projected at 1.5 percent in 2015 and 1.6 percent in 2016. In the Euro area where monthly purchases of government bonds started on March 09, 2015 a very accommodative policy is expected to remain in place. In India, export growth had been robust, and investor confidence bolstered by the election of a reform-minded government. Over the medium-term growth is expected to rise steadily as reforms began to yield productivity gains and is expected to grow by 7.5 percent in 2015.

In consideration of the economic environment, the Bank will continue on its journey of diversifying and rebalancing its asset and liability portfolio. The efforts to enhance the non-interest revenue streams will continue along with improving operating efficiencies and efficient capital and liquidity management. The Bank will continue to monitor the economic environment in India and Europe and strive to tap the market opportunities in line with the risk management framework and appetite.

Key risks

The Bank's business is subject to inherent risks concerning borrower credit quality as well as general global economic conditions. The Bank's funding is composed of medium to long term deposits, term borrowings and a proportion of short term savings balances. If depositors and/or lenders do not roll over invested funds upon maturity, the Bank's business could be adversely affected. Strong controls around measurement of risks through effective risk management of the Bank helps in mitigating such risks. The Bank will continue to work within the risk framework as set out by the Board. The increased supervisory and compliance environment in the financial sector leads to increased risks of regulatory action. The Bank's continued focus on ensuring compliance with all the regulatory requirements mitigates the risk of regulatory action. The Bank's Directors and Management review the risk appetite on a regular basis and continues to include any regulatory changes as appropriate to ensure regulatory compliance. The detail around the Bank's risks and management is given in Note 35.

Corporate Governance and Risk Management

Corporate Governance

The Bank's corporate governance framework is based on an effective independent Board, the separation of the Board's supervisory role from the executive management of the Bank and the constitution of Board Committees to oversee critical areas and functions of executive management. The Board is committed to maintaining high standards of corporate governance. The Bank remained focused on maintaining strong governance and controls structure. The Bank has a total number of seven Non-Executive Directors on the Board, three of whom are representatives of the Bank's Parent, ICICI Bank Limited, and four are independent. During the year, the Bank appointed Mr. Huw Morgan as independent Non Executive Director and Chair of the Board Risk and Board Conduct Risk Committee upon retirement of Mr. Richard Banks who was an independent Non Executive Director and Chair of the Board Risk Committee of the Bank until June 30, 2014.

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

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

Strategic report (continued)

deployment of technology. Information technology is used as a strategic tool for the Bank's business operations, to gain a competitive advantage and to improve its overall productivity and efficiency.

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

The Bank has continued to operate within its defined conduct risk appetite. Further, during the last financial year, the Bank enhanced the conduct risk governance and oversight arrangements, with the creation of a Board Conduct Risk Committee ("BCRC") and a Compliance, Conduct and Operational Risk management Committee ("CORMAC"). Both Committees meet on a monthly basis and receive regular updates from both business and Compliance.

Risk Management

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

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

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

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 35.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 23, 2015
Registered address:
One Thomas More Square
London E1W 1YN

Director's report

The Directors have pleasure in presenting the twelfth annual report of ICICI Bank UK PLC, together with the audited financial statements for the year ended March 31, 2015.

Financial Results

The financial statements for the reporting year ended March 31, 2015 are shown on pages 14 to 73.

Directors

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

* Mr. Richard Banks retired from the Non Executive Director position of the Bank on June 30, 2014.

**Mr. Robert Huw Morgan was appointed as the Non Executive Director of the Bank at the Board meeting on May 20, 2014 subject to regulatory approvals. Mr. Morgan was appointed as Chair Board Risk Committee at the Board Governance Committee on July 25, 2014. Mr. Morgan's appointment was approved by the UK regulators on August 19, 2014.

Company Secretary

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

Going concern

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

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

Share Capital

As at March 31, 2015, the issued and fully paid share capital amounted to USD 420 million (INR 26,256 million). During the year, in consideration of Bank's surplus capital as compared to the regulatory capital requirements, the Board took a decision to return some of the surplus capital back to the Parent Bank. Consequently, the Bank returned

Director's report (continued)

USD 75 million (INR 4,687 million) of equity share capital post receipt of requisite approvals. The Bank paid USD 30 million (INR 1,875 million) of equity dividend during the financial year.

Employees

As at March 31, 2015 the Bank had 196 employees. The Bank encourages the involvement of all employees in the Bank's overall performance and profitability. The Bank has a pension scheme operating in the UK in which the employees are entitled to a maximum of five percent contribution of their basic salary by the Bank. 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 ensure equality for employees regardless of sex, race, disability, age, sexual orientation or religious belief. Employees are kept closely involved in major changes affecting them through such measures as team meetings, briefings, internal communications and opinion surveys. The Bank has adopted a Code of Conduct, which sets out the core values and behaviours expected of senior management and other employees. The requirements of the Code are for all employees to act with integrity and maintain the right culture at all times. It also reinforces the Bank's commitment to maintaining high standards in management of our relationship with customers, employees and suppliers.

The Bank recognises its social and statutory duty 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 remuneration. The Bank has adopted and implemented a Remuneration Policy which has been approved by the Board Governance Committee. The Bank ensures that it adheres to the Remuneration Code guidelines published by the PRA and FCA. The Bank's remuneration policy disclosures are made available on the Bank's website: http://www.icicibank.co.uk/personal/basel_disclosures.html

Disclosure of information to the Auditor

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

Auditor

KPMG LLP was appointed as the auditor of the Bank at its Annual General Meeting on July 25, 2014 for a year. In accordance with Section 489 of the Companies Act of 2006, a resolution for the re-appointment of KPMG LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 23, 2015
Registered address:
One Thomas More Square
London E1W 1YN

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

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

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

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

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

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

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

The Directors are responsible for the preparation of the schedule in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the schedule, The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and place certain reporting obligations on financial institutions that are within the scope of the EU's Capital Requirements Directive (CRD IV) which are outlined in Note 33.

By order of the Board

Sudhir Dole
Managing Director & Chief Executive Officer

Aarti Sharma
Chief Financial Officer & Company Secretary

April 23, 2015

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, 2015 set out on pages 14 to 73. 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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 12, 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 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, 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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 LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

April 23, 2015

Profit and Loss Account

for the year ended March 31, 2015

Convenience translation (Refer to Note 2 (c))

	Note	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Interest income and similar income arising on debt securities		**9,375**	12,535	**586**	783
Other interest income and similar income		**125,289**	118,397	**7,831**	7,400
Interest expense		**(70,012)**	(75,700)	**(4,376)**	(4,731)
Net interest income		**64,652**	55,232	**4,041**	3,452
Fees and commissions receivable		**20,812**	27,030	**1,301**	1,689
Foreign exchange revaluation gains		**6,689**	7,999	**418**	500
Income/(Loss) on financial instruments at fair value through profit and loss	5	**12,023**	(1,291)	**751**	(81)
Other operating income	6	451	1,185	**28**	74
Operating income		**104,627**	90,155	**6,539**	5,634
Administrative expenses	7	**(37,259)**	(35,318)	**(2,329)**	(2,207)
Depreciation	20	**(1,414)**	(1,472)	**(88)**	(92)
Specific impairment on investment securities	18	**(13,538)**	(5,632)	**(846)**	(352)
Impairment on loans and advances	17	**(37,945)**	(14,590)	**(2,372)**	(912)
Profit/(Loss) on sale of debt securities		**8,299**	2,974	**519**	186
Profit on ordinary activities before tax		**22,770**	36,117	**1,423**	2,257
Tax on profit on ordinary activities	10	**(4,441)**	(10,893)	**(278)**	(681)
Profit on ordinary activities after tax		**18,329**	25,224	**1,145**	1,576

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

		Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Ordinary shares Dividend		**(30,000)**	(25,000)	**(1,875)**	(1,564)

The result for the year is derived entirely from continuing activities. The notes on pages 19 to 73 form part of these financial statements.

Balance Sheet

As at March 31, 2015

Convenience translation (Refer to Note 2 (c)

	Note	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Assets					
Cash		**598**	648	**37**	41
Balances at central banks		**449,154**	1,008,407	**28,072**	63,025
Loans and advances to banks	14	**184,146**	79,079	**11,509**	4,943
Loans and advances to customers	15	**2,878,811**	2,749,136	**179,926**	171,821
Investment in Treasury Bills	18	**84,951**	126,967	**5,309**	7,935
Investment Securities other than Treasury Bills	18	**412,979**	371,918	**25,811**	23,245
Tangible fixed assets	20	**4,774**	5,751	**298**	359
Other assets	21	**79,037**	109,065	**4,941**	6,817
Accrued income		**35,356**	20,183	**2,210**	1,261
Total assets		**4,129,806**	4,471,154	**258,113**	279,447
Liabilities					
Deposits by banks	22	**365,417**	461,141	**22,839**	28,821
Customer accounts	23	**2,284,686**	2,533,259	**142,793**	158,329
Debt securities and subordinated liabilities	24	**483,932**	426,643	**30,246**	26,665
Other liabilities	26	**126,762**	73,041	**7,921**	4,564
Accruals and deferred income		**29,546**	31,477	**1,847**	1,967
Repurchase Agreements	25	**294,035**	316,544	**18,377**	19,784
Total Liabilities		**3,584,378**	3,842,105	**224,023**	240,130
Shareholders' funds:					
Issued share capital	27	**420,095**	495,095	**26,256**	30,943
Capital contribution		**5,912**	5,256	**370**	329
Retained earnings		**128,089**	89,760	**8,006**	5,611
Capital redemption reserve		**-**	50,000	**-**	3,125
Available for sale reserve		**(8,668)**	(11,062)	**(542)**	(691)
Total Equity		**545,428**	629,049	**34,090**	39,317
Total Equity and Liabilities		**4,129,806**	4,471,154	**258,113**	279,447

The notes on pages 19 to 73 form part of these financial statements. These financial statements were approved by the Board of Directors on April 23, 2015 and were signed on its behalf by:

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

Aarti Sharma
Chief Financial Officer
& Company Secretary

Statement of total recognised gains and losses

for the year ended March 31, 2015

Convenience translation (Refer to Note 2 (c))

	Note	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Profit on ordinary activities after tax		**18,329**	25,224	**1,145**	1,576
Movement in available for sale reserve					
Movement in fair value during the year		**6,585**	7,201	**411**	450
Movement in available for sale reserve		**6,585**	7,201	**411**	450
Taxation Relating To Available For Sale Reserve	10	**(4,191)**	(1,656)	**(262)**	(104)
Net movement in available for sale reserve		**2,394**	5,545	**149**	346
Total gains and losses recognised		**20,723**	30,769	**1,294**	1,922

The notes on pages 19 to 73 form part of these financial statements.

Reconciliation of movements in shareholders' funds

for the year ended March 31, 2015

	Issued Share Capital USD 000s	Retained earnings USD 000s	Capital Redemption Reserve USD 000s	Available for Sale Reserve USD 000s	Other USD 000s	Total USD 000s
As at April 1, 2013	**495,095**	**89,536**	**50,000**	**(16,607)**	**4,148**	**622,172**
Capital Contribution (Share based payments)	-	-	-	-	1,108	1,108
Redemption of Preference share capital	-	-	-	-	-	-
Reduction in Equity share capital	-	-	-	-	-	-
Unrealised gain on available for sale securities	-	-	-	7,201	-	7,201
Tax impact	-	-	-	(1,656)	-	(1,656)
Profit on ordinary activities after tax	-	25,224	-	-	-	25,224
Dividend paid during the year	-	(25,000)	-	-	-	(25,000)
As at April 1, 2014	**495,095**	**89,760**	**50,000**	**(11,062)**	**5,256**	**629,049**
Reduction in Equity share capital	(75,000)	-	-	-	-	(75,000)
Cancellation of Capital Redemption Reserve	-	50,000	(50,000)	-	-	-
Capital Contribution (Share based payments)	-	-	-	-	656	656
Unrealised gain on available for sale securities	-	-	-	6,585	-	6,585
Tax impact	-	-	-	(4,191)	-	(4,191)
Profit on ordinary activities after tax	-	18,329	-	-	-	18,329
Equity dividend paid during the year	-	(30,000)	-	-	-	(30,000)
Closing shareholders' funds as at March 31, 2015	**420,095**	**128,089**	**-**	**(8,668)**	**5,912**	**545,428**

Reconciliation of movements in shareholders' funds

for the year ended March 31, 2015

Convenience translation (Refer to Note 2 (c))	Issued Share Capital INR million	Retained earnings INR million	Capital Redemption Reserve INR million	Available for Sale Reserve INR million	Other INR million	Total INR million
As at April 1, 2013	**30,943**	**5,599**	**3,125**	**(1,037)**	**260**	**38,890**
Capital Contribution (Share based payments)	-	-	-	-	69	69
Redemption of Preference share capital	-	-	-	-	-	-
Reduction in Equity share capital	-	-	-	-	-	-
Unrealised gain on available for sale securities	-	-	-	450	-	450
Tax impact	-	-	-	(104)	-	(104)
Profit on ordinary activities after tax	-	1,576	-	-	-	1,576
Dividend paid during the year	-	(25,000)	-	-	-	(25,000)
As at April 1, 2014	**30,943**	**5,611**	**3,125**	**(691)**	**329**	**39,317**
Reduction in Equity share capital	(4,687)	-	-	-	-	(4,687)
Cancellation of Capital Redemption Reserve	-	3,125	(3,125)	-	-	-
Capital Contribution (Share based payments)	-	-	-	-	41	41
Unrealised gain on available for sale securities	-	-	-	411	-	411
Tax impact	-	-	-	(262)	-	(262)
Profit on ordinary activities after tax	-	1,145	-	-	-	1,145
Equity dividend paid during the year	-	(1,875)	-	-	-	(1,875)
Closing shareholders' funds as at March 31, 2015	**26,256**	**8,006**	**-**	**(542)**	**370**	**34,090**

The notes on pages 19 to 73 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.

During FY2014, the Bank early adopted IFRIC 21 'Levies', on the basis that there is no equivalent guidance within UK GAAP and FRS 18 (Accounting Policies) allows the use of alternative accounting frameworks where this is the case.

(c) Functional and presentation currency and convenience translation

The financial statements are prepared and presented in US Dollars, which is the functional currency of the Bank as it represents the currency of the primary economic environment in which the Bank operates. A significant proportion of the Bank's assets and revenues are transacted in US Dollars.

The financials are also presented in Indian Rupee (INR) currency for convenience using the year end exchange rate. These numbers are proforma only and should not be regarded as being in compliance with UK GAAP.

(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 41).

(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 41).

(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 35.

The Bank is a wholly owned subsidiary of ICICI Bank Limited. The Parent Bank has issued a letter of comfort to the Bank's regulators, the Financial Services Authority (FSA), now PRA, stating that the Parent Bank intends to financially support the Bank in ensuring that it meets all of its financial obligations as they fall due. In addition, the

Bank's forecasts and projections, taking account of possible changes in its business model in subsequent years, including stress testing and scenario analysis, show that the Bank will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. In making their assessment, the Directors have also considered future projections of profitability, cash flows and capital resources as well as the strategic review of the business model which is conducted on a periodic basis. The Bank has been maintaining a strong Capital adequacy and Tier 1 capital ratio. The Directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future and therefore it is appropriate to prepare the Annual Accounts on a going concern basis.

3 Significant accounting policies

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

(a) Interest income and expense

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

(b) Fees and commissions income and expense

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

(c) Foreign Currencies

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

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

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

(f) Loans and receivables

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

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

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

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

(m) Other derivatives

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

(n) Sale and repurchase agreements

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

(o) Identification and measurement of impairment

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

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

(p) 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[1]

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

[1.] The useful life on an average is currently between 1-5 years

(q) Provisions

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

(r) Deposits, debt securities issued and subordinated liabilities

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

(s) Income tax expense

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

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

Deferred tax is recognised, in respect of all timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As required by 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.

(t) Employee benefits

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

(u) Leases

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

(v) Share based payments

The Parent Bank (ICICI Bank Limited) has issued share options to the employees of ICICI Bank UK PLC. These transactions are recognised as equity-settled share based payments. The expense is recognised over the vesting period based on the market value of shares as on the date of grant of shares, adjusted for the number of the employees leaving the Bank. A capital contribution from the Parent Bank is recognised in the books over the vesting period in the shareholders' funds. Under the requirements of UITF Abstract 44, a subsidiary should recognise an expense in its profit and loss account to reflect the effective remuneration paid to employees in respect of share awards granted by the Parent Company. The corresponding entry is to equity as the amounts are considered to be capital contributions by the Parent Company.

(w) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

(x) 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.

Identification of specific impairment in an account: The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement. The Bank's policy is to identify and recognize impairment in a loan when it is probable that the Bank will not be able to collect, or there is no longer a reasonable certainty that the Bank will collect all amounts due according to the contractual terms of the loan agreement. The following disclosure practices have been adopted in Note 16:

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

The objective of the policy is to maintain 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 take into account only the credit losses that have been incurred at the time of the impairment loss calculation. In case the expected cash flows are not available, the breakup value of security/collateral for respective facilities under watch is calculated in accordance with the Bank's collateral valuation policy. In line with accounting guidelines, the Bank recognises an impairment loss equal to the best estimate within the range of reasonably possibly outcomes, taking into account all relevant information available about conditions existing at the end of the reporting period. For determining the specific provisions on individual impaired cases, the management exercises judgment involving matters such as realisable value of the security, estimation of the future cash flows and their timing. Consequently these allowances can be subject to variation as time progresses and the circumstances of the borrower become clearer.

ii) Restructured/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.

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

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

The collective impairment policy as defined in the CRMP stipulates that collective provision, based on the credit rating of the exposures, needs to be provided in respect of the entire performing loan and receivables portfolio. The Bank has followed FRS 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.

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

(b) Impairment of available for sale financial assets

The Bank regularly reviews its available for sale securities portfolio to assess for impairment. The Bank considers all available evidence, including observable market data or information about events specifically relating to the securities which may result in a shortfall in recovery of future cash flows. These events may include a significant financial difficulty of the issuer, a breach of contract such as a default, bankruptcy or other financial reorganisation, or the disappearance of an active market for the debt security because of financial difficulties relating to the issuer, information about the issuer's liquidity, business and financial risk exposures, level of and trends in default for similar financial assets, 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. The Bank values the equity option embedded in the financial instruments such as FCCBs based on valuation techniques with observable market inputs.

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, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Income on other financial assets	-	199	-	12
Realised gains/(losses) on derivative instruments	**6,150**	(951)	**384**	(59)
Unrealised gains/(losses) on derivative instruments	**5,873**	(539)	**367**	(34)
Total	**12,023**	(1,291)	**751**	(81)

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

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, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Staff costs (including Directors' emoluments):				
Wages and salaries	**19,024**	19,873	**1,190**	1,242
Social security costs	**2,309**	1,845	**144**	115
Other administrative expenses	**15,926**	13,600	**995**	850
Total	**37,259**	35,318	**2,329**	2,207

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

	Year ended March 31, 2015 No. of Employees	Year ended March 31, 2014 No. of Employees
Management	**45**	42
Non Management	**151**	159
Total	**196**	**201**

8 Profit on ordinary activities before tax is stated after charging

	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Auditor's remuneration				
Fees payable to the Bank's statutory auditors and their associates for the audit of Bank's annual accounts	**509**	495	**32**	31
Fees payable to the Bank's statutory auditors and their associates for other services:				
Audit related assurance services	**460**	439	**29**	27
Tax compliance services	**29**	42	**2**	3
Total	**998**	976	**63**	61

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, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Current tax				
UK Corporation tax[1] at 21% (2014: 23%) on the taxable profit for the year	**53**	4,479	**3**	280
Overseas corporation charge	**6,756**	5,879	**422**	368
	6,809	10,358	**425**	648
Adjustments for prior years[2]	**(2,774)**	134	**(173)**	8
	4,035	10,492	**252**	656
Deferred tax				
Origination and reversal of timing differences	**406**	401	**26**	25
Tax on profit on ordinary activities	**4,441**	10,893	**278**	681

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

	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Current tax reconciliation				
Profit on ordinary activities before tax	**22,770**	36,117	**1,423**	2,257
Current tax at 21% (2014: 23%)	**4,782**	8,307	**299**	520
Add effects of:				
Expenses not deductible for tax purposes	**141**	257	**9**	16
Other timing differences (FRS 26 Impact)	**(454)**	(275)	**(28)**	(17)
Timing difference on movement of collective provisions for bad and doubtful debts	**(45)**	(49)	**(3)**	(3)
Depreciation less than capital allowances for the year	**74**	182	**5**	11
Overseas taxes (net of overseas tax credit relief)	**2,312**	1,936	**145**	121
Adjustment for prior year	**(2,775)**	134	**(175)**	8
Total current tax charge (see 10 (a) above)	**4,035**	10,492	**252**	656

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

	Year ended March 31, 2014 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Balance as at March 31	**779**	1,180	**49**	74
Debit to profit and loss account :				
Reversal of Deferred tax asset	**(387)**	(327)	**(25)**	(20)
Debit to available for sale reserves :				
Rate differential from 21% to 23%	**(19)**	(74)	**(1)**	(5)
Adjustments for prior year				
Balance as at March 31	**373**	779	**23**	49

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

	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Collective provision	**43**	90	**3**	6
Effect of FRS 26				
- Fees Income amortisation	**174**	364	**10**	22
- Recognition of fair value of derivatives	**67**	140	**4**	9
Excess of tax written down value over book value of tangible fixed assets	**89**	185	**6**	12
Total	**373**	779	**23**	49

(e) Taxation relating to available for sale reserve

	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Provision for tax for current year	**(1,383)**	(1,656)	**(86)**	(104)
	(1,383)	(1,656)	**(86)**	(104)

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

[2]Adjustment to prior years for the year March 2015 includes recycling of tax credit of USD 2.7 million (INR 169 million) from AFS reserve to & tax account within P&L.

11 Emoluments of Directors

	Year ended March 31, 2015 USD 000s	Year ended March 31, 2014 USD 000s	Year ended March 31, 2015 INR million	Year ended March 31, 2014 INR million
Directors' fees and gross emoluments	**1,092**	972	**68**	61

The gross emoluments[1] of the highest paid director were USD 698,094 (INR 43,630,846) (2014: USD 572,203; INR 35,762,688) excluding share based payments. Contributions on behalf of a director under a money purchase pension scheme amounted to USD 25,923 (INR 1,620,202) (2014: USD 25,359; INR 1,584,930). The number of stock options[2] granted to the highest paid director during the year was 46,000 (2014: 40,000).

[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 0.66 million (INR 41.3 million) was charged to the profit and loss account in respect of equity-settled share-based payment transactions (2014: USD 1.11 million; INR 69.4 million). This expense, which was computed from the fair values of the share-based payment transactions when granted, arose under employee share awards made in accordance with the ICICI Bank Limited group's reward structures.

Stock Option Scheme

In terms of an Employee Stock Option Scheme (ESOS), of the parent Bank, options are granted to eligible employees and Directors of the Bank and its subsidiaries. As per the ESOS as amended from time to time, the maximum number of options granted to any employee/Director in a year is limited to 0.05% of the Parent Bank's issued equity shares at the time of the grant, and the aggregate of all such options is limited to 10% of Parent Bank's issued equity shares on the date of the grant. Options granted vest in a graded manner over a four year period, with 20%, 20%, 30% and 30% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. Options granted in April 2014 vest in a graded manner over a three-year period, with 30%, 30%, and 40% of the grants vesting in each year, commencing from the end of 12 months from the date of grant. The options can be exercised within 10 years from the date of grant or five years from the date of vesting, whichever is later.

Particulars of options granted to employees of ICICI Bank UK PLC up to March 31, 2015 are given below:

	March 31, 2015 Number (000s)	March 31, 2014 Number (000s)
Outstanding at the beginning of the year[1]	**4,464**	3,927
Net additions during the year	**680**	538
Outstanding at the end of the year	**5,144**	4,464

On September 9, 2014, the Board of ICICI Bank Ltd approved for sub-division of equity shares of face value ₹10/- into 5 shares of face value ₹2/- each. The sub division resulted in the number of shares held by each shareholder being multiplied by a factor of 5. The number of options detailed in the note factor the impact of the stock split.

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, 2015 Range	Year ended March 31, 2014 Range
Risk-free interest rate[2] (%)	**8.80-9.00**	7.6-7.69
Expected term[3] (years)	**2.85-4.85**	6.35
Expected volatility[4] (%)	**33.25-34.50**	48.70
Expected dividend yield (%)	**1.77**	1.70
Share price at grant date[5] (INR)	**259.91**	235.47

As the grant date was prior to the date of the stock split, the share price indicated above factors the impact of the split and has been divided by 5.

[1]The number of options have been update for options lapsed for both FY2015 and FY2014.

[2] 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.

[3] 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.

[4] 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.

[5] The share price at the grant date which was originally before the stock split was INR 1,299.55 as at March 31, 2015 and INR 1,177.35 as at March 31, 2014.

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', Dunfermline Building Society and London Scottish Bank plc. The protection of consumer deposits is currently funded through loans from the Bank of England and HM Treasury. The Bank could be liable to pay a proportion of the outstanding borrowings that the FSCS has borrowed from HM Treasury which is currently at GBP 15.8 billion as per the FSCS Plan and Budget for 2015/2016. The Bank is also obligated to pay its share of forecast management expenses based on the Bank's market share of deposits protected under the FSCS. This levy is called the specified deposit defaults (SDD) levy. During FY2015, FSCS recovered GBP 845 million of the SDD levies from the deposit taking sector (GBP 399 million capital Levy and GBP 446 million interest levy). As per the FSCS Plan and Budget for 2015/2016, FSCS expects to levy the deposit taking sector a total levy of GBP 750 million, which includes GBP 403 million of interest, GBP 256 million of Dunfermline contribution and GBP 91 million capital shortfall).

The Bank has recognized an expense of USD 2.3 million (INR 144 million) during FY2015 (FY2014: USD 1.8 million; INR 113 million), in respect of all statutory levies. This mainly includes the Bank's share of the SDD levy management expense, including interest costs and principal and regular deposit protection charges. The Bank has accrued the SDD levy based on its estimated share of total market protected deposits. The Bank has adopted IFRIC 21 'Levies', effective FY2014 for accounting for the FSCS liability.

14 Loans and advances to banks

(a) Residual Maturity

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Banks				
Repayable on demand	**32,614**	63,402	**2,038**	3,962
Other loans and advances				
Remaining Maturity :				
Over 5 years	-	3	-	-
5 year or less but over 1 year	-	750	-	47
1 year or less but over 3 months	**39,744**	6,745	**2,484**	422
3 months or less	**106,524**	5,275	**6,658**	330
	178,882	76,175	**11,180**	4,761
Parent and Group Companies				
Repayable on demand	**5,290**	2,910	**331**	182
Other loans and advances				
Remaining Maturity :				
1 year or less but over 3 months	-	-	-	-
3 months or less	-	-	-	-
	5,290	2,910	**331**	182
Sub Total	**184,172**	79,085	**11,511**	4,943
Collective provision	**(26)**	(6)	**(2)**	-
Specific impairment allowance	-	-	-	-
Total	**184,146**	79,079	**11,509**	4,943

(b) Concentration of exposure

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

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Total gross advances to banks located in:				
UK	**25,610**	50,305	**1,601**	3,144
Europe	**5,420**	6,813	**339**	426
North America	**1,405**	1,807	**88**	113
India	**144,444**	16,872	**9,027**	1,055
Rest of the World	**7,293**	3,288	**456**	205
Total	**184,172**	79,085	**11,511**	4,943

As at March 31, 2015, the Bank had no direct exposure to banks in Portugal, Italy, Ireland, Greece, Spain, Cyprus, Ukraine or Russia (2014: NIL).

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

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

15 Loans and advances to customers

(a) Residual Maturity

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Repayable on demand or at short notice	**45,797**	50,312	**2,861**	3,145
Other loans and advances				
Remaining Maturity :				
Over 5 years	**384,331**	251,937	**24,021**	15,746
5 years or less but over 1 year	**1,356,346**	1,319,947	**84,773**	82,496
1 year or less but over 3 months	**315,877**	466,285	**19,742**	29,143
3 months or less	**837,482**	721,822	**52,343**	45,114
Sub total	**2,939,833**	2,810,303	**183,740**	175,644
Collective provision	**(9,577)**	(8,494)	**(599)**	(531)
Specific impairment allowance	**(51,445)**	(52,673)	**(3,215)**	(3,292)
Total	**2,878,811**	2,749,136	**179,926**	171,821

(b) Concentration of exposure

Geographical concentrations of loans and advances to customers

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
UK	**522,399**	540,238	**32,650**	33,765
Europe	**549,652**	681,574	**34,353**	42,598
North America	**322,863**	27,015	**20,179**	1,688
India	**1,047,628**	1,101,251	**65,477**	68,829
Rest of the World	**208,272**	171,124	**13,017**	10,695
Total	**2,650,814**	2,521,202	**165,676**	157,575
India (Retail loans against FCNR deposits)	**289,019**	289,101	**18,064**	18,069
Total	**2,939,833**	2,810,303	**183,740**	175,644

As at March 31, 2015, the outstanding exposure to customers in Ireland was nil (2014: USD 17.9 million; INR 1,119 million) and to Spain was nil (2014: USD 38.6 million; INR 2,412 million). As at March 31, 2015, the Bank had no direct exposure to customers in Portugal, Italy, Greece, Cyprus, Ukraine or Russia. (2014: 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, 2015 **USD 000s**

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

March 31, 2015 **INR million**

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
Cash	37	-	-	-	37
Balances at central banks	28,072	-	-	-	28,072
Loans and advances to banks	11,511	-	-	(2)	11,509
Loans and advances to customers	166,617	6,323	10,800	(3,814)	179,926
Investment securities	30,658	-	3,224	(2,762)	31,120
Other assets*:					
- Cheques in clearing	11	-	-	-	11
- Deposits receivable	604	-	-	-	604
- Derivative financial instruments	3,694	-	-	-	3,694
- Unsettled securities	148	-	-	-	148
Accrued income and other receivables	2,373	-	-	-	2,373
Total financial instruments	243,725	6,323	14,024	(6,578)	257,494

* excludes deferred tax assets, prepaid expenses and fixed assets

March 31, 2014 **USD 000s**

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
Cash	648	-	-	-	648
Balances at central banks	1,008,407	-	-	-	1,008,407
Loans and advances to banks	79,085	-	-	(6)	79,079
Loans and advances to customers	2,476,441	123,112	210,750	(61,167)	2,749,136
Investment securities	493,448	-	39,988	(34,551)	498,885
Other assets:					
- Cheques in clearing	188	-	-	-	188
- Deposits receivable	5,308	-	-	-	5,308
- Derivative financial instruments	86,028	-	-	-	86,028
- Unsettled securities	3,172	-	-	-	3,172
Accrued income and other receivables	28,673	-	-	-	28,673
Total financial instruments	**4,181,398**	**123,112**	**250,738**	**(95,724)**	**4,459,524**

March 31, 2014 **INR million**

	Neither past due nor impaired	Past due not impaired	Impaired	Impairment allowances	Total
Cash	41	-	-	-	41
Balances at central banks	63,025	-	-	-	63,025
Loans and advances to banks	4,943	-	-	-	4,943
Loans and advances to customers	154,777	7,695	13,172	(3,823)	171,821
Investment securities	30,840	-	2,499	(2,159)	31,180
Other assets:					
- Cheques in clearing	12	-	-	-	12
- Deposits receivable	332	-	-	-	332
- Derivative financial instruments	5,377	-	-	-	5,377
- Unsettled securities	198	-	-	-	198
Accrued income and other receivables	1,792	-	-	-	1,792
Total financial instruments	**261,337**	**7,695**	**15,671**	**(5,982)**	**278,721**

Loans and advances to customers

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Loans contractually overdue as to principal or interest				
- Less than 60 days	**9,148**	-	**572**	-
- 61 to 90 days	-	-	-	-
- more than 90 days	**233,932**	304,636	**14,621**	19,040
Total	**243,080**	304,636	**15,193**	19,040
Concentration of overdue exposure				
United Kingdom	-	8,230	-	514
Europe	**53,245**	78,171	**3,328**	4,886
India	**189,835**	218,235	**11,865**	13,640
Total	**243,080**	304,636	**15,193**	19,040
Past due whether impaired or not				
Past due not impaired	**101,160**	123,112	**6,323**	7,695
Past due impaired	**141,920**	181,524	**8,870**	11,345
Total	**243,080**	304,636	**15,193**	19,040
Past due not impaired*				
- Less than 60 days	**9,148**	-	**572**	-
- 61 to 90 days	-	-	-	-
- more than 90 days	**92,012**	123,112	**5,751**	7,695
Total	**101,160**	123,112	**6,323**	7,695

*Past due not impaired are stated at the total value of the exposure. The total overdue contractual payments of principal or interest are USD 52.5 million (INR 3,281 million) (2014: USD 31.6 million, INR 1,975 million). The above excludes accounts with total gross exposure of USD 77.7 million (INR 4,856 million) and overdue of USD 37.7 million (INR 2,356 million) which have been paid subsequent to the yearend. All overdue cases are assessed for impairment as per the Bank's policy. As on the reporting date, the Bank has reasonable certainty of repayment of the outstanding or there is adequate collateral cover. Hence these exposures have not been classified as impaired.

During the year ended March 31, 2015 the Bank had renegotiated/restructured loan amounting to USD 9.8 million (INR 613 million) (2014: USD 39.2 million, INR 2,450 million). As on March 31, 2015, included in the impaired loans was loan restructured in previous years of USD 26.0 million (INR 1,625 million) (2014: USD 29.2 million; INR 1,825 million).

17 Impairment on loans and advances

Net loan impairment charge to profit and loss account

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
New charges	**(35,650)**	(22,007)	**(2,228)**	(1,375)
Release of allowance	-	8,723	-	545
Write off directly to profit and loss	**(2,295)**	(1,306)	**(144)**	(82)
	(37,945)	(14,590)	**(2,372)**	(912)

Movement in impairment allowance on loans and advances

	March 31, 2015 (USD 000s)			March 31, 2014 (USD 000s)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	**52,673**	**8,500**	**61,173**	30,608	17,223	47,831
Charge to profit and loss account	**34,547**	**1,103**	**35,650**	24,007	(8,723)	15,284
Amounts written off	**(35,388)**	**-**	**(35,388)**	(2,000)	-	(2,000)
Recovery	**-**	**-**	**-**	-	-	-
Others (incl FX)	**(387)**	**-**	**(387)**	58	-	58
Closing Balance	**51,445**	**9,603**	**61,048**	**52,673**	**8,500**	**61,173**

Movement in impairment allowance on loans and advances

	March 31, 2015 (INR million)			March 31, 2014 (INR million)		
	Specific Impairment	Collective Provision	Total	Specific Impairment	Collective Provision	Total
Opening Balance	**3,292**	**531**	**3,823**	1,913	1,076	2,989
Charge to profit and loss account	**2,159**	**69**	**2,228**	1,500	(545)	955
Amounts written off	**(2,212)**	**-**	**(2,212)**	(125)	-	(125)
Recovery	**-**	**-**	**-**	-	-	-
Others (incl FX)	**(23)**	**-**	**(23)**	4	-	4
Closing Balance	**3,216**	**600**	**3,816**	**3,292**	**531**	**3,823**

18 Investment securities

Classification of Investment securities

	March 31, 2015 Market Value USD 000s	March 31, 2014 Market Value USD 000s	March 31, 2015 Market Value INR million	March 31, 2014 Market Value INR million
Analyzed by class:				
Treasury Bills	**84,951**	126,967	**5,309**	7,935
Other securities				
- Credit Link Notes	-	-	-	-
- Bonds	**347,062**	289,644	**21,691**	18,103
- Asset Backed Securities	**58,526**	76,787	**3,658**	4,799
- Equity	**7,391**	5,487	**462**	343
Total other securities	**412,979**	371,918	**25,811**	23,245
Total	**497,930**	498,885	**31,120**	31,180
Analysed by designation :				
Available for sale	**482,703**	498,885	**30,168**	31,180
Held to Maturity	**15,227**	-	**952**	-
Financial instruments at fair value through profit and loss	-	-	-	-
Total	**497,930**	498,885	**31,120**	31,180
Analysed by issuer:				
Available for sale				
Issued by public bodies:				
Government Issued	**79,969**	126,967	**4,997**	7,935
Other Public sector securities	**230,036**	219,468	**14,377**	13,717
Issued by other issuers	**172,698**	152,450	**10,794**	9,528
Held to Maturity				
Government Issued	**4,982**	-	**312**	-
Issued by other issuers	**10,245**	-	**640**	-
Financial instruments at fair value through profit and loss				
Issued by other issuers -	-	-	-	
Total	**497,930**	498,885	**31,120**	31,180
Analysed by listing status:				
Available for sale				
Unlisted	**79,969**	129,862	**4,998**	8,116
Listed	**402,734**	369,023	**25,170**	23,064
Held to Maturity				
Listed	**15,227**	-	**952**	-
Financial instruments at fair value through profit and loss				
Unlisted	-	-	-	
Total	**497,930**	498,885	**31,120**	31,180
Analyzed by maturity*:				
Due within 1 year	**203,186**	170,249	**12,698**	10,641
Due 1 year and above	**287,353**	323,149	**17,960**	20,196
Total	**490,539**	493,398	**30,658**	30,837

*does not include USD 7.4 million (INR 462 million) of investment in equity (FY2014: USD 5.5 million, INR 343 million)

Impairment on investment securities

During the year the Bank booked impairment of USD 13.5 million (INR 846 million) (2014: USD 5.6 million; INR 352 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, 2015, by valuation method:

USD 000s

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

INR million

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	4,997	-	-	4,997
Credit Link Notes	-	-	-	-
Bonds	21,051	-	-	21,051
Asset Backed Securities	3,658	-	-	3,658
Equity	462	-	-	462
Total	30,168	-	-	30,168

Investments held at fair value at March 31, 2014, by valuation method:

USD 000s

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	126,967	-	-	126,967
Credit Link Notes	-	-	-	-
Bonds	289,644	-	-	289,644
Asset Backed Securities	76,787	-	-	76,787
Equity	5,487	-	-	5,487
Total	498,885	-	-	498,885

INR million

	Level 1	Level 2	Level 3	Total
Treasury Bills & Government securities	7,935	-	-	7,935
Credit Link Notes	-	-	-	-
Bonds	18,103	-	-	18,103
Asset Backed Securities	4,799	-	-	4,799
Equity	343	-	-	343
Total	**31,180**	**-**	**-**	**31,180**

Valuation Hierarchy

The valuation hierarchy is set out below:

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

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

(a) Quoted prices for similar assets, or identical assets in markets which are considered to be less than active; or

(b) Valuation techniques where all the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

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

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, 2015		March 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
From held for trading to available for sale				
-Corporate Bonds	**8,291**	**8,291**	8,462	8,462
-Asset Backed Securities	**-**	**-**	1,963	1,963
From available for sale to loans and receivables				
-Foreign Currency Convertible bonds	**-**	**-**	7,689	7,689
-Asset Backed Securities	**68,545**	**76,095**	87,072	95,431
Total	**76,836**	**84,386**	105,186	113,545

Carrying amount and fair value of reclassified assets **INR million**

	March 31, 2015		March 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
From held for trading to available for sale				
-Corporate Bonds	**518**	**518**	529	529
-Asset Backed Securities	-	-	123	123
From available for sale to loans and receivables				
-Foreign Currency Convertible bonds	-	-	481	481
-Asset Backed Securities	**4,284**	**4,756**	5,442	5,964
Total	**4,802**	**5,274**	6,575	7,097

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, 2015	Assuming No Reclassification March 31, 2015	Post Reclassification March 31, 2014	Assuming No Reclassification March 31, 2014
From held for trading to available for sale				
-Corporate Bonds	**317**	**299**	306	183
-Asset Backed Securities	**6**	**14**	19	44
From available for sale to loans and receivables				
-Foreign Currency Convertible bonds	**1,553**	**1,553**	(5,365)	(5,365)
-Asset Backed Securities	**1,231**	**1,231**	1,291	1,291
Total	**3,107**	**3,097**	(3,749)	(3,847)

Impact on profit and loss account **INR million**

	Post Reclassification March 31, 2015	Assuming No Reclassification March 31, 2015	Post Reclassification March 31, 2014	Assuming No Reclassification March 31, 2014
From held for trading to available for sale				
-Corporate Bonds	**20**	**19**	19	11
-Asset Backed Securities	**-**	**1**	1	3
From available for sale to loans and receivables				
-Foreign Currency Convertible bonds	**97**	**97**	(335)	(335)
-Asset Backed Securities	**77**	**77**	81	81
Total	**194**	**194**	**(234)**	**(240)**

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, 2015	Assuming No Reclassification March 31, 2015	Post Reclassification March 31, 2014	Assuming No Reclassification March 31, 2014
From held for trading to available for sale				
-Corporate Bonds	**140**	**-**	158	-
-Asset Backed Securities	**-**	**-**	(8)	-
From available for sale to loans and receivable				
-Foreign Currency Convertible bonds	**-**	**-**	-	-
-Asset Backed Securities	**4,659**	**12,208**	6,441	14,799
Total	**4,799**	**12,208**	6,591	14,799

Impact of gains /(losses) on available for sale reserve **INR million**

	Post Reclassification March 31, 2015	Assuming No Reclassification March 31, 2015	Post Reclassification March 31, 2014	Assuming No Reclassification March 31, 2014
From held for trading to available for sale				
-Corporate Bonds	**9**	**-**	10	-
-Asset Backed Securities	**-**	**-**	(1)	-
From available for sale to loans and receivable				
-Foreign Currency Convertible bonds	-	-	-	-
-Asset Backed Securities	**291**	**763**	403	925
Total	**300**	**763**	412	925

20 Tangible and intangible assets

	Leasehold Improve-ments USD 000s	Other Fixed Assets & Intangible Assets USD 000s	Total USD 000s	Leasehold Improve-ments INR million	Other Fixed Assets & Intangible Assets INR million	Total INR million
Cost :						
At April 1, 2014	12,093	8,072	20,165	755	505	1,260
Additions	15	511	526	1	32	33
Disposal	(429)	(1)	(430)	(27)	-	(27)
At March 31, 2015	**11,679**	**8,582**	**20,261**	**729**	**537**	**1,266**
Accumulated depreciation:						
At April 1, 2014	6,933	7,481	14,414	434	468	901
Charge for year	964	450	1,414	60	28	88
Disposal	(341)	-	(341)	(21)	-	(21)
At March 31, 2015	**7,556**	**7,931**	**15,487**	**473**	**496**	**968**
Net book value:						
At March 31, 2015	**4,123**	**651**	**4,774**	**256**	**41**	**298**
At March 31, 2014	5,160	591	5,751	323	37	359

21 Other assets

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Amounts in clearing	**182**	188	**11**	12
Deposits receivable	**9,671**	5,308	**604**	332
Deferred tax asset	**373**	779	**23**	49
Derivative financial instruments	**59,106**	86,028	**3,694**	5,377
Settlement balances[1]	**2,357**	3,172	**148**	198
Other receivables	**2,604**	8,490	**163**	531
Prepaid Expenses	**1,744**	2,100	**110**	130
Others[2]	**3,000**	3,000	**188**	188
Total	**79,037**	109,065	**4,941**	6,817

[1] Mainly comprising of securities pending settlement
[2] Includes assets acquired in settlement of loan claims, held as inventory at lower of cost or net realizable value

22 Deposits by banks

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

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Banks				
5 years or less but over 1 year	**22,010**	182,538	**1,376**	11,408
1 year or less but over 3 months	**329,407**	179,843	**20,588**	11,240
3 months or less but not repayable on demand	**14,000**	98,760	**875**	6,173
Total	**365,417**	461,141	**22,839**	28,821

23 Customer accounts

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

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
More than 5 years	**2,684**	3,443	**168**	215
5 years or less but over 1 year	**470,639**	908,647	**29,415**	56,790
1 year or less but over 3 months	**723,911**	380,556	**45,244**	23,785
3 months or less but not repayable on demand	**212,219**	139,885	**13,264**	8,743
	1,409,453	1,432,531	**88,091**	89,533
Repayable on demand	**875,233**	1,100,728	**54,702**	68,796
Total	**2,284,686**	2,533,259	**142,793**	158,329

24 Debt securities and subordinated liabilities

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Bonds issued*				
Residual Maturity				
Over 5 years	**150,000**	150,000	**9,375**	9,375
5 year or less but over 1 year	**273,329**	159,903	**17,083**	9,994
1 year or less but over 3 months	**62,200**	18,950	**3,888**	1,184
3 months or less	**-**	100,250	**-**	6,266
	485,529	429,103	**30,346**	26,819
Less: Bond issue expenses	**(567)**	(799)	**(35)**	(50)
Less: Adjustments to carrying amount for change in the value of hedge which is ineffective	**(1,030)**	(1,661)	**(65)**	(104)
	483,932	426,643	**30,246**	26,665

* Listed with Singapore stock exchange.

Details of various bonds and notes under the medium term notes programmes issued by the Bank at March 31, 2015 are as follows:

Date of Issue	Nature of Issue	Interest Rate	Interest frequency	Maturity	USD 000s	INR million
12-Dec-06	Perpetual junior subordinated notes	6.38%	Semi-annually	Callable by issuer at par in 2016; no maturity	85,000	5,313
23-Nov-10	Unsecured subordinated fixed rate notes due 2020	7.00%	Semi annually	Bullet payment in November 2020	150,000	9,375
27-Mar-13	Senior unsecured bonds	2.32%	Quarterly	Bullet payment in April 2016	74,995	4,687
22-Oct-14	Senior unsecured bonds	1.50%	Quarterly	Bullet payment in October 2016	100,000	6,250
23-Sep-14	Senior unsecured bonds	1.40%	Annually	Bullet payment in September 2015	11,500	719
16-Sep-14	Senior unsecured bonds	1.40%	Annually	Bullet payment in September 2015	10,700	668
14-Oct-14	Senior unsecured bonds	1.03%	Semi annually	Bullet payment in October 2017	8,334	521
25-Nov-14	Senior unsecured bonds	1.36%	Quarterly	Bullet payment in December 2015	40,000	2,500
09-Jan-15	Senior unsecured bonds	1.40%	Quarterly	Bullet payment in July 2016	5,000	313
				Total	**485,529**	**30,346**

Less: Bond issue expenses	(567)	(35)
Less: Adjustments to carrying amount for change in the value of hedge which is ineffective	(1,030)	(65)
	483,932	**30,246**

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, 2015 USD 000s		March 31, 2014 USD 000s	
	arrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
Repurchase agreements	**294,035**	**349,012**	316,544	414,340

	March 31, 2015 INR million		March 31, 2014 INR million	
	Carrying amount of transferred liabilities	Carrying amount of transferred assets	Carrying amount of transferred liabilities	Carrying amount of transferred assets
Repurchase agreements	**18,377**	**21,813**	19,784	25,896

The assets transferred under the repurchase agreements are Bonds, ABSs & FCCBs issued by financial institutions & corporates with carrying value of USD 349.0 million (INR 21,813 million) (2014: USD 414.3 million; INR 25,896 million). These have been pledged as collateral under repurchase agreements entered by the Bank. These form part of the AFS book & Loans and Receivable book (refer Note 18 and Note 37).

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

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
5 years or less but over 1 year	**56,189**	-	**3,512**	-
1 year or less but over 3 months	**136,259**	173,820	**8,516**	10,864
3 months or less	**101,587**	142,724	**6,349**	8,920
Total	**294,035**	316,544	**18,377**	19,784

26 Other liabilities

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Amounts in clearing	**1,612**	4,635	**101**	290
Corporation tax payable	**1,687**	5,903	**105**	369
Other creditors	**2,409**	3,238	**150**	201
Derivative financial instruments	**110,932**	59,265	**6,933**	3,704
Settlement balances	**10,122**	-	**632**	-
Total	**126,762**	73,041	**7,921**	4,564

27 Called up share capital

At March 31, 2015 the Issued share capital of ICICI Bank UK PLC was:

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
420 million ordinary shares of USD 1 each	**420,000**	495,000	**26,250**	30,937
50,002 ordinary shares of £1 each	**95**	95	**6**	6
Total Share Capital	**420,095**	495,095	**26,256**	30,943

During the year, the Bank returned USD 75 million (INR 4,687 million) of equity capital to ICICI Bank Limited after receiving requisite approvals including court approval for the reduction in equity share capital.

28 Employee benefits

During the year, the Bank made a contribution of USD 533,252 (INR 33,328,247) (2014: USD 335,951; INR 20,996,991) to the pension scheme. Out of this amount, USD 40,668 (INR 2,541,748) was accrued at the year end (2014: USD 33,516; INR 2,094,750).

29 Contingent liabilities and commitments

(a) Guarantees and other commitments:

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Guarantees	**333,083**	439,944	**20,818**	27,497
Other commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend maturing in:				
Less than one year	**4,209**	11,820	**263**	739
More than one year	-	-	-	-
Total guarantees and commitments	**337,292**	451,764	**21,081**	28,236

(b) Significant concentrations of contingent liabilities and commitments

Approximately 68% (2014: 78%) 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 1,311 million (INR 81,938 million) (2014: USD 1,741 million; INR 108,813 million).

30 Litigation

In the ordinary course of business, a borrower of the Bank upon being required to repay an overdue loan has brought in legal proceedings to frustrate the Bank's recovery alleging the Bank was responsible for negatively impacting the borrower's business. Whilst the amounts claimed are significant, the Bank's assessment based on professional legal advice indicates that it is unlikely that the proceedings will have an adverse effect on the Bank's financial position or operations.

31 Operating lease commitments

As at March 31, 2015, the Bank has the following non cancellable annual operating lease commitments:

Land and Buildings	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Operating leases which expire :				
Within 1 year	**134**	110	**8**	7
Between 1 and 5 years	**743**	914	**46**	57
More than 5 years	**1,649**	1,847	**103**	115
	2,526	2,871	**157**	179

32 Categories and classes of Financial Instruments

Assets:

As at March 31, 2015 **USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	**598**	-	**598**
Balances at central banks	-	-	**449,154**	-	**449,154**
Loans and advances to banks	-	-	**184,146**	-	**184,146**
Loans and advances to customers	-	-	**2,878,811**	-	**2,878,811**
Investment Securities	-	**482,703**	-	**15,227**	**497,930**
Other assets*	**59,106**	-	**14,814**	-	**73,920**
Accrued income	-	-	**35,356**	-	**35,356**
Total financial assets	**59,106**	**482,703**	**3,562,879**	**15,227**	**4,119,915**

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

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	**37**	-	**37**
Balances at central banks	-	-	**28,072**	-	**28,072**
Loans and advances to banks	-	-	**11,509**	-	**11,509**
Loans and advances to customers	-	-	**179,926**	-	**179,926**
Investment Securities	-	**30,168**	-	**952**	**31,120**
Other assets*	**3,694**	-	**926**	-	**4,620**
Accrued income	-	-	**2,210**	-	**2,210**
Total financial assets	**3,694**	**30,168**	**222,680**	**952**	**257,494**

As at March 31, 2014 **USD 000s**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	648	-	648
Balances at central banks	-	-	1,008,407	-	1,008,407
Loans and advances to banks	-	-	79,079	-	79,079
Loans and advances to customers	-	-	2,749,136	-	2,749,136
Investment in Securities	-	498,885	-	-	498,885
Other assets*	86,028	-	17,157	-	103,185
Accrued income	-	-	20,183	-	20,183
Total financial assets	**86,028**	**498,885**	**3,874,610**	**-**	**4,459,523**

As at March 31, 2014 **INR million**

	Fair value though P&L	Available for Sale	Loans & Receivables	Held to Maturity	Total
Cash	-	-	41	-	41
Balances at central banks	-	-	63,025	-	63,025
Loans and advances to banks	-	-	4,943	-	4,943
Loans and advances to customers	-	-	171,821	-	171,821
Investment in Securities	-	31,180	-	-	31,180
Other assets*	5,377	-	1,073	-	6,450
Accrued income	-	-	1,261	-	1,261
Total financial assets	**5,377**	**31,180**	**242,164**	**-**	**278,721**

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

Liabilities:

As at March 31, 2015 **USD 000s**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	365,417	365,417
Customer accounts	-	2,284,686	2,284,686
Debt securities in issue	-	483,932	483,932
Other liabilities	110,932	15,830	126,762
Accruals and deferred income	-	29,546	29,546
Repurchase agreements	-	294,035	294,035
Total financial liabilities	**110,932**	**3,473,446**	**3,584,378**

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

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	**22,839**	**22,839**
Customer accounts	-	**142,793**	**142,793**
Debt securities in issue	-	**30,246**	**30,246**
Other liabilities	**6,932**	**989**	**7,921**
Accruals and deferred income	-	**1,847**	**1,847**
Repurchase agreements	-	**18,377**	**18,377**
Total financial liabilities	**6,932**	**217,091**	**224,023**

As at March 31, 2014 **USD 000s**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	461,141	461,141
Customer accounts	-	2,533,259	2,533,259
Debt securities in issue	-	426,643	426,643
Other liabilities	59,265	13,776	73,041
Accruals and deferred income	-	31,477	31,477
Repurchase agreements	-	316,544	316,544
Total financial liabilities	**59,265**	**3,782,840**	**3,842,105**

As at March 31, 2014 **INR million**

	Fair value though P&L	Non-trading Liability	Total
Deposits by banks	-	28,821	28,821
Customer accounts	-	158,329	158,329
Debt securities in issue	-	26,665	26,665
Other liabilities	3,704	860	4,564
Accruals and deferred income	-	1,967	1,967
Repurchase agreements	-	19,784	19,784
Total financial liabilities	**3,704**	**236,426**	**240,130**

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

33 Capital Management

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

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

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

Tier 2 capital, which includes qualifying subordinated liabilities, collective provision and other allowances.

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 2 capital.

Under CRD IV, 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 PRA's approach to such measurement based upon CRD IV is now primarily based on monitoring the Capital Resource Requirement to available capital resources. The PRA also sets individual capital guidance (ICG) for the Bank that sets capital requirements in excess of the minimum Capital Resource Requirement. A key input to the ICG setting process is the Bank's Internal Capital Adequacy Assessment Process (ICAAP). The Bank submitted its last ICAAP document to the PRA in August 2014.

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

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

	March 31, 2015 USD million	March 31, 2014 USD million	March 31, 2015 INR million	March 31, 2014 INR million
Total Capital	**707.0**	814.4	**44,190**	50,900
- Tier I	**538.8**	623.8	**33,676**	38,988
- Tier II	**168.2**	190.6	**10,514**	11,913

34 Country by country reporting

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

The Bank has two branches in the EU, in Antwerp (Belgium) and Frankfurt (Germany). The details of the business activities are provided in the Business Review section of the Strategic Report. Details as on March 31, 2015 are provided below:

	UK		Belgium		Germany	
Number of employees	175		3		18	
	USD million	INR million	USD million	INR million	USD million	INR million
Turnover[1,2]	79.1	4,945	4.4	275	29.4	1,838
Pre-tax profit	7.9	492	(6.8)	(425)	21.7	1,356
Corporation tax paid	4.9	306	-	-	7.8	488

[1]Income before operating expenses and provisions

[2] Includes P&L on sale of financial assets

There were no public subsidies received during the year. It may be noted that the Corporation tax paid are the cash taxes paid. Refer Note 10 for information on the current year taxation (which includes taxes accrued not yet paid).

35 Risk Management Framework

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

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

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

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

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

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

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

Credit Risk

Credit risk is the risk that 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 the Credit Risk Management Policy (CRMP), which is approved and reviewed annually by the Board Credit Committee. The CRMP describes the principles which underpin and drive the Bank's approach to credit risk management together with the systems and processes through which they are implemented and administered.

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

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

- The financial position of the borrower, by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy;
- The borrower's relative market position and operating efficiency; and
- The quality of management by analysing its track record, payment record and financial conservatism.

Industry risk is evaluated by considering, inter alia:

- Certain industry characteristics, such as the importance of the industry to the economy, its growth outlook, 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 Executive Credit and Risk Committee (ECRC) or the Board Credit Committee (BCC) based on, inter alia, the amount and internal risk rating of the facility. All credit proposals put up to the BCC are passed through the ECRC.

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

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

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

Concentration risk

Concentration risk arises from significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location, instrument type. The concentration risk in the Bank's portfolio is governed by the risk appetite framework which stipulates various limits to manage exposure concentrations within the Bank. The key parameters of risk concentrations measured in the Bank include sectoral, country, rating category based, product specific exposures, counterparty and large exposures.

Credit Monitoring

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

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

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

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

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
AAA	**113,359**	166,400	**7,085**	10,400
AA+	**4,564**	29,421	**285**	1,839
AA	**24,471**	5,053	**1,529**	316
AA-	**-**	31,594	**-**	1,975
A	**23,042**	5	**1,440**	-
A-	**10,744**	13,680	**672**	855
BBB-	**287,148**	227,854	**17,947**	14,241
BB+ and below	**27,211**	19,391	**1,701**	1,212
Non rated	**7,391**	5,487	**461**	342
Total	**497,930**	498,885	**31,120**	31,180

Credit quality of loan portfolio

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

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

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

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

Loans and advances to banks

Internal risk rating of loans and advances to customers

Rating	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
AAA to AA-	**162,604**	41,978	**10,163**	2,624
A+ to A-	**21,031**	37,104	**1,314**	2,319
BBB+ to BBB-	**537**	-	**34**	-
BB and below	-	3	-	-
Total	**184,172**	79,085	**11,511**	4,943

Loans and advances to customers

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

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

Rating	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
AAA to AA-*	**580,480**	492,500	**36,280**	30,781
A+ to A-	**976,144**	965,972	**61,009**	60,373
BBB+ to BBB-	**775,654**	584,046	**48,478**	36,503
BB and below	**378,857**	420,543	**23,678**	26,285
Total	**2,711,135**	2,463,061	**169,445**	153,942

*Includes loans against FCNR deposits which are fully collateralised.

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

Rating	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
AAA to AA-	-	86,550	-	5,409
A+ to A-	**62,799**	40,000	**3,925**	2,500
BBB+ to BBB-	-	33,205	-	2,075
BB and below	**26,263**	28,631	**1,641**	1,790
Total	**89,062**	188,386	**5,566**	11,774

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

Rating	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
A+ to A-	**8,874**	11,028	**556**	689
BBB+ to BBB-	**130,762**	145,507	**8,173**	9,094
BB and below	-	2,321	-	145
Total	**139,636**	158,856	**8,729**	9,928

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

Industry exposure

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

Rating	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Industrials	**194,376**	188,115	**12,149**	11,757
Consumer Discretionary	**180,975**	262,570	**11,311**	16,411
Consumer Staples	**223,126**	114,791	**13,945**	7,174
Energy	**461,342**	526,273	**28,834**	32,892
Financials	**263,115**	149,939	**16,445**	9,371
Gems and Jewellery	**231,313**	273,263	**14,457**	17,079
Healthcare	**156,013**	109,414	**9,751**	6,838
Information Technology	**93,021**	26,919	**5,814**	1,682
Materials	**587,954**	566,207	**36,747**	35,388
Real Estate*	**161,050**	176,896	**10,066**	11,056
Telecom Services	**64,263**	100,443	**4,016**	6,278
Utilities	**19,416**	14,887	**1,214**	930
Others	**14,850**	11,485	**927**	718
Retail**	**289,019**	289,101	**18,064**	18,070
Total	**2,939,833**	2,810,303	**183,740**	175,644

* Includes ABS/MBS portfolio held as loans and receivables which have been classified here for both FY2014 and FY2015

** Loans secured against FCNR deposits

Collateral Management

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

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

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

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

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

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

Loans and advances to customers	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Collateral value	**842,121**	1,146,687	**52,633**	71,668
Gross loans and advances	**2,939,833**	2,810,303	**183,740**	175,644
Less: Investments held as loans and receivables	**(228,698)**	(347,242)	**(14,295)**	(21,702)
Outstanding balance against which collateral held	**2,711,135**	2,463,061	**169,445**	153,942

No collateral is held against loans and advances to banks.

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

The maximum amount of on balance sheet credit risk, without taking account of any collateral or netting arrangements, as at March 31, 2015 is approximately USD 4.1 billion (INR 258 billion) (2014: USD 4.4 billion; INR 275 billion). The maximum amount of off balance sheet credit risk on guarantees and letters of credit is approximately USD 337 million (INR 21,081 million) (2014: USD 452 million; INR 28,236 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 a second charge on assets, other liens and corporate guarantees and related support undertakings from borrower group entities. The Bank has applied appropriate haircuts when calculating the collateral value detailed above.

Market Risk

Market risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices. The Bank's key policies for managing market risk as approved by the Board Risk Committee (BRC) are:

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

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

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

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

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

  The Bank uses Duration of Equity (DoE) as an all-encompassing measure, which takes into consideration the duration and value of both assets and liabilities. DoE is a measure of interest rate sensitivity, which indicates how much the market value of equity, would change if interest rates change by 1%. Currently a limit band of -5.0 to +5.0 has been prescribed for the DoE of the Bank.

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

- Forex risk – This risk arises due to positions in non-dollar denominated currencies, which in turn arise from assets and liabilities in those currencies. Foreign exchange risk is managed within the Treasury function in accordance with approved position limits. The Net overnight open position (NOOP) of the Bank as at March 31, 2015 was USD 6.8 million (INR 425 million) (2014: USD 37.1 million; INR 2,319 million).

- Equity Risk – Equity price risk arises due to the volatility of price movements on the Bank's investment in equity shares and convertibles. Threshold triggers are defined for falls in the values of equity investments and an escalation framework is in place. The value of the Bank's equity investments as at March 31, 2015 was USD 7.4 million (INR 462 million) (2014: USD 5.5 million, INR 344 million. The option value of convertibles was USD 5.4 million (INR 338 million) (2014: USD 0.3 million, INR 19 million).

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

VAR is calculated using a parametric approach at a 99% confidence level over a one day holding period. The total VAR for the Bank's trading book portfolio as at March 31, 2015 was USD 0.11 million (INR 7 million) (2014: USD 0.19 million; INR 12 million). The maximum, average and minimum VAR during the year for the trading book portfolio was USD 0.16 million (INR 10 million) (2014: USD 0.24 million; INR 15 million), USD 0.08 million (INR 5 million) (2014: USD 0.09 million; INR 6 million) and USD 0.04 million (INR 2 million) (2014: USD 0.02 million; INR 1 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, 2015, assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	Amount in USD 000	Amount in INR million
Portfolio size (Market value)	**475,311**	**29,707**
Change in value due to 100 bps movement in interest rate	**4,451**	**278**
Change in value due to 200 bps movement in interest rate	**8,901**	**556**

The impact of an increase in interest rates on bonds and asset backed securities) as at March 31, 2014, assuming a parallel shift in yield curve, has been set out in the following table:

Particulars	Amount in USD 000	Amount in INR million
Portfolio size (Market value)	493,273	30,830
Change in value due to 100 bps movement in interest rate	6,637	415
Change in value due to 200 bps movement in interest rate	13,274	830

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, 2015, 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	**1.64**	**3.28**
USD	**4.26**	**8.52**
GBP	**2.46**	**4.92**
Other currencies	**(0.12)**	**(0.24)**
Total	**8.24**	**16.48**

Equivalent in INR 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	**103**	**205**
USD	**266**	**533**
GBP	**154**	**308**
Other currencies	**(8)**	**(15)**
Total	**515**	**1031**

The impact of an increase in interest rates on the Bank's net interest income as at March 31, 2014, 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	1.99	3.99
USD	5.02	10.04
GBP	2.44	4.88
Other currencies	(0.02)	(0.05)
Total	**9.43**	**18.86**

Equivalent in INR 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	124	249
USD	314	628
GBP	153	305
Other currencies	(1)	(3)
Total	**590**	**1,179**

An increase in interest rates results in a positive impact on 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.

Liquidity Risk

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

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

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

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

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

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

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

As part of the stock and flow approach of monitoring liquidity, the Bank monitors certain liquidity ratios covering various liquidity risk drivers inter-alia short-term liquidity risk, structural mismatch risk, wholesale funding risk, off balance sheet risk and non-marketable assets risk. The Bank places particular emphasis on the withdrawable funding ratio and the customer advances to total assets ratio. The withdrawable funding ratio indicates the proportion of deposits that can be withdrawn by customers without providing notice to total funding resources. The ratio as at March 31, 2015 was 0.21 (0.25 as at March 31, 2014). The customer advances to total assets ratio provides a measure of the structural liquidity of the Bank's asset portfolio. The ratio as at March 31, 2015 was 0.66 (0.54 as at March 31, 2014).

The Bank has implemented the PRA's Individual Liquidity Adequacy Assessment (ILAA) framework. The ILAA summarises the level of liquidity required by the Bank to meet 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 stress testing of its liquidity position monthly and reports the results of the stress test to the ALCO and BRC & Board on a monthly and quarterly basis respectively. Further, from October 1, 2015 the Bank will maintain liquidity to meet the Liquidity Coverage Ratio (LCR) requirements as stipulated in the EBA delegated act dated October 10, 2014.

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

Refer Note 36 for details on the cash flow payable under contractual maturity.

Operational Risk

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

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

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

The Bank has determined and articulated Operational Risk Appetite (ORA) which has been defined as the acceptable maximum level of Operational Risk (OR) that the Bank is willing to accept in pursuit of its strategic objectives, taking into account stakeholder and regulatory requirements. It has been expressed both in quantitative and qualitative terms. The Bank has expressed its ORA as a percentage of a financial parameter of the Bank i.e. operating income and operating expenses based on the average level of losses for the previous years and has also taken into account the existing controls and expected future developments/ initiatives. In addition to quantitative measure, the Bank has also established qualitative measures of ORA both at strategic and business levels. At strategic level, the Bank has set thresholds as acceptable, tolerable and unacceptable in five categories, namely, financial, regulatory, client, reputation and employment practices and personnel safety. The qualitative measures set at business level are based around Risk and Control Self-Assessment (RCSA) results, Key Risk Indictors (KRIs) and Internal Audit and Compliance assessments.

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

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

The Bank has established a Conduct Risk Policy which aims to deliver fair and appropriate outcomes as per the Bank's Conduct Risk philosophy. It also articulates the responsibilities of various stakeholders, i.e. the Board, Senior Management and employees towards conduct risks. The Conduct Risk Appetite framework is reviewed at least on an annual basis, in line with the review of strategy of the Bank. The framework will be updated as per changes in the business strategy of the Bank and/or the changing external regulatory developments/expectations. The CRA has been carved out or is the subset of the ORA determined for the identified Bank wide risk categories/areas mapped to Retail Banking group risk entities quantity and timing of management information, these were embedded during the course of the year.

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

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

The Bank has implemented a loss data collection, analysis and reporting process for all operational risk loss data (including internal and external fraud) and near miss events. The data is collected from all business and support units in the UK as well as those outsourced to India. Analysis of such data is reported to the 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 carries out an operational risk scenario analysis and stress testing exercise for assessing the adequacy of the operational risk capital charge. Various operational risk events based on existing and external loss data, risks identified in RCSAs and internal audit reports, have been assessed which are further used to create seven operational risk scenarios. Each of these scenarios are assessed for probability and financial impact and compared with the operational risk capital charge. The detailed process is mentioned in "quantitative assessment of operational risk drivers" which is reviewed and the results shared with the CORMAC and BRC on an annual basis.

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

The Bank has developed and implemented a Business Continuity and Crisis Management Plan (BCP) for all business and corporate functions to ensure continued availability of critical business processes in an event of an outage. The BCP also addresses disaster situations and provides necessary guidance to recover and restore critical and important business processes in the event of an external business disruption. It provides guidelines for the plan development accountabilities, testing of the BCP and maintenance of individual plans by the respective groups. The BCP for each individual group has been developed on the basis of a business impact analysis carried out for the individual groups involving identification of critical 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 the regulator. The performance of vendors is periodically reviewed and assessment reports are presented to the BRC on a quarterly basis by the performance monitoring unit.

36 Cash flow payable under contractual maturity

At March 31, 2015, the contractual maturity comprised USD 000s

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	More than 5 years	Total
Deposits by banks	14,745	172,106	158,170	22,027	-	367,048
Customer accounts	1,087,452	292,437	431,473	470,639	2,685	2,284,686
Other liabilities	26,396	-	-	-	550	26,946
Derivative financial liabilities	30,714	14,442	15,025	38,797	838	99,816
Accruals and deferred income	29,408	-	-	-	138	29,546
Debt securities in issue	5,099	15,796	61,308	320,928	157,029	560,160
Repurchase Agreements	101,587	100,016	36,244	56,188	-	294,035
Total Liabilities	1,295,401	594,797	702,220	908,579	161,240	3,662,237

At March 31, 2015, the contractual maturity comprised INR million

	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	**922**	**10,757**	**9,886**	**1,377**	**-**	**22,942**
Customer accounts	**67,966**	**18,277**	**26,967**	**29,415**	**168**	**142,793**
Other liabilities	**1,650**	**-**	**-**	**-**	**32**	**1,682**
Derivative financial liabilities	**1,920**	**903**	**939**	**2,425**	**52**	**6,239**
Accruals and deferred income	**1,838**	**-**	**-**	**-**	**9**	**1,847**
Debt securities in issue	**319**	**987**	**3,832**	**20,058**	**9,814**	**35,010**
Repurchase Agreements	**6,349**	**6,251**	**2,265**	**3,512**	**-**	**18,377**
Total Liabilities	**80,964**	**37,175**	**43,889**	**56,787**	**10,075**	**228,890**

At March 31, 2014, 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	100,482	1,722	183,269	192,544	-	478,017
Customer accounts	1,240,614	80,893	299,663	908,646	3,443	2,533,259
Other liabilities	14,436	-	-	-	5,675	20,111
Derivative financial liabilities	4,698	377	9,851	37,863	141	52,930
Accruals and deferred income	30,198	-	-	-	1,279	31,477
Debt securities in issue	105,255	5,005	28,904	221,381	178,321	538,866
Repurchase Agreements	142,723	72,557	101,264	-	-	316,544
Total Liabilities	**1,638,406**	**160,554**	**622,951**	**1,360,434**	**188,859**	**3,971,204**

At March 31, 2014, the contractual maturity comprised INR million

	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	6,280	108	11,454	12,034	-	29,876
Customer accounts	77,538	5,056	18,729	56,790	216	158,329
Other liabilities	902	-	-	-	353	1,255
Derivative financial liabilities	294	24	616	2,366	9	3,309
Accruals and deferred income	1,887	-	-	-	80	1,967
Debt securities in issue	6,578	313	1,807	13,836	11,145	33,679
Repurchase Agreements	8,920	4,535	6,329	-	-	19,784
Total Liabilities	**102,399**	**10,036**	**38,935**	**85,026**	**11,803**	**248,199**

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).

37 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, 2015	March 31, 2015	March 31, 2014	March 31, 2014
	Fair value	Book value	Fair value	Book value
Non trading book financial assets and liabilities				
Assets:				
Cash	**598**	**598**	648	648
Balances at central banks	**449,154**	**449,154**	1,008,407	1,008,407
Loans and advances to banks	**184,146**	**184,146**	79,076	79,079
Loans and advances to customers	**2,883,953**	**2,878,811**	2,738,396	2,749,136
Investment securities	**498,086**	**497,930**	498,885	498,885
Liabilities:				
Deposits by banks and customer accounts	**2,649,361**	**2,650,103**	2,990,797	2,994,400
Debt securities in issue	**506,985**	**483,932**	435,650	426,643
Repurchase agreements	**294,035**	**294,035**	316,544	316,544
Financial assets and liabilities at fair value through profit and loss				
Assets:				
Derivative financial instruments	**59,106**	**59,106**	86,028	86,028
Liabilities:				
Derivative financial instruments	**110,932**	**110,932**	59,265	59,265

INR million

	March 31, 2015	March 31, 2015	March 31, 2014	March 31, 2014
	Fair value	Book value	Fair value	Book value
Non trading book financial assets and liabilities				
Assets:				
Cash	**37**	**37**	41	41
Balances at central banks	**28,072**	**28,072**	63,025	63,025
Loans and advances to banks	**11,509**	**11,509**	4,942	4,942
Loans and advances to customers	**180,247**	**179,926**	171,150	171,821
Investment securities	**31,130**	**31,121**	31,179	31,180
Liabilities:				
Deposits by banks and customer accounts	**165,585**	**165,631**	186,925	187,150
Debt securities in issue	**31,687**	**30,246**	27,228	26,665
Repurchase agreements	**18,377**	**18,377**	19,784	19,784
Financial assets and liabilities at fair value through profit and loss				
Assets:				
Derivative financial instruments	**3,694**	**3,694**	5,377	5,377
Liabilities:				
Derivative financial instruments	**6,933**	**6,933**	3,704	3,704

Notes:

1. Fair value of loans and advances to banks and customers is determined using weighted average margins on market transactions done by the Bank during the year for loans with similar maturity and rating profile. The fair valuation is carried out post segmenting the disbursements done during the year by internal rating and tenor and comparing the pricing on the new disbursements with the existing portfolio. The difference is considered as the fair value adjustment.

2. The fair value of deposits by banks and customers has been estimated using current interest rates offered for deposits of similar maturities.

3. The fair value of debt securities is derived based on prevalent market quotes as at balance sheet date. In case market quotes are not available the Bank has used the internal valuation technique to calculate the fair value. Internal valuation discounts the estimated future cash flows, computed based on the prevailing interest rates and credit spreads in the market.

4. Financial instruments such as other assets and other liabilities are expected to have the similar fair value as the carrying value as these are short term in nature.

38 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, 2015, the notional amounts of interest rate swaps and foreign exchange contract designated as fair value hedges were USD 1,384 million (INR 86,529 million) (2014: USD 1,491 million; INR 93,188 million) and these contracts had a net negative fair value of USD 28.1 million (INR 1,757 million) (2014: net positive fair value of USD 29.0 million; INR 1,813 million).

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

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

The Bank has computed the Credit Value Adjustment (CVA) and Debit Value Adjustment (DVA) for the derivative portfolio which amounted to USD 87K (INR 5,438K) and USD 130K (INR 8,125K) 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, 2015 USD 000s

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	545,841	1,559,139	29,016	87,803
Interest rate	838,631	546,169	24,152	12,012
Total	**1,384,472**	**2,105,308**	**53,168**	**99,815**

As at March 31, 2015 INR million

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	**34,115**	**97,446**	**1,814**	**5,488**
Interest rate	**52,414**	**34,136**	**1,510**	**751**
Total	**86,529**	**131,582**	**3,324**	**6,239**

Principal amounts of derivative financial instruments

As at March 31, 2014 USD 000s

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	572,346	2,063,033	54,588	32,678
Interest rate	919,147	1,015,481	31,890	20,252
Total	**1,491,493**	**3,078,514**	**86,478**	**52,930**

As at March 31, 2014 INR million

Instrument	Non Trading Notional Principal	Trading Notional Principal	Gross Positive Fair Value	Gross Negative Fair Value
Foreign exchange contracts	35,772	128,940	3,412	2,042
Interest rate	57,447	63,468	1,993	1,266
Total	**93,219**	**192,408**	**5,405**	**3,308**

In addition of the above the Bank holds equity options relating to their Foreign Currency Convertible Bonds. As at March 31, 2015 these equity options had a gross positive fair value of USD 5.4 million (INR 338 million) (March 31, 2014 gross positive fair value of USD 0.3 million; INR 19.0 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 18 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, 2015 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	**2**	**-**	-	-
Level 2	**29,014**	**87,803**	**24,152**	**12,012**
Level 3	**-**	**-**	-	-
Total	**29,016**	**87,803**	**24,152**	**12,012**

As at March 31, 2015 INR million

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	-	-	-	-
Level 2	**1,813**	**5,488**	**1,510**	**751**
Level 3	-	-	-	-
Total	**1,813**	**5,488**	**1,510**	**751**

As at March 31, 2014 USD 000

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	96	153	-	-
Level 2	54,491	32,525	31,890	20,252
Level 3	-	-	-	-
Total	**54,587**	**32,678**	**31,890**	**20,252**

As at March 31, 2014 INR million

	Foreign exchange contracts		Interest rate	
	Gross Positive Fair Value	Gross Negative Fair Value	Gross Positive Fair Value	Gross Negative Fair Value
Level 1	6	10	-	-
Level 2	3,406	2,033	1,993	1,266
Level 3	-	-	-	-
Total	**3,412**	**2,043**	**1,993**	**1,266**

39 Assets and liabilities denominated in foreign currency

	March 31, 2015 USD 000s	March 31, 2014 USD 000s	March 31, 2015 INR million	March 31, 2014 INR million
Denominated in US Dollars	**2,799,412**	2,193,516	**174,963**	137,095
Denominated in Sterling	**702,859**	1,422,750	**43,929**	88,922
Denominated in other currencies	**627,535**	854,888	**39,221**	53,430
Total assets	**4,129,806**	4,471,154	**258,113**	279,447
Denominated in US Dollars	**1,711,170**	1,396,318	**106,948**	87,270
Denominated in Sterling	**1,743,221**	2,254,983	**108,951**	140,936
Denominated in other currencies	**675,415**	819,853	**42,214**	51,241
Total liabilities	**4,129,806**	4,471,154	**258,113**	279,447

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 38 which are held for hedging purposes.

40 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, 2015 financial statements.

41 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.